

Integration of Islamic Economics with the Real Sector: A Systematic Literature Review (SLR) 2020–2025

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Abstract

This study aims to analyze the factors hindering the integration of Islamic economics with the real sector and to identify mechanisms that can strengthen their linkage. The method employed is a Systematic Literature Review (SLR) following the PRISMA 2020 guidelines, analyzing 47 articles from Scopus and Web of Science-indexed international journals published between 2020 and 2025. The findings identify three main clusters of barriers: institutional barriers within Islamic financial institutions characterized by the dominance of murabahah financing at 60 percent and minimal equity-based instruments; barriers at the real sector level including low Islamic financial literacy averaging 28–34 percent and disproportionate collateral requirements; and macro-structural barriers stemming from suboptimal regulatory frameworks and persistent asymmetric information problems. The study also finds that Islamic fintech holds transformative potential yet its penetration remains below 12 percent, while productive ZISWAF instruments have been proven to increase beneficiary income by up to 47 percent but have not yet reached optimal scale. Cross-country comparative analysis reveals that successful integration is determined by an integrated enabling ecosystem encompassing regulation, institutional innovation, literacy, and digital infrastructure. This study concludes that the required solutions are multi-level and multi-stakeholder in nature, rooted in the maqashid syariah framework.

Keywords: Islamic Economics, Real Sector, Systematic Literature Review.

Abstrak

Penelitian ini bertujuan menganalisis faktor-faktor yang menghambat integrasi ekonomi syariah dengan sektor riil serta mengidentifikasi mekanisme yang dapat memperkuat keterkaitan keduanya. Metode yang digunakan adalah Systematic Literature Review (SLR) mengacu pada panduan PRISMA 2020, dengan menganalisis 47 artikel jurnal internasional terindeks Scopus dan Web of Science yang diterbitkan pada periode 2020–2025. Hasil penelitian mengidentifikasi tiga kluster hambatan utama, yaitu hambatan institusional lembaga keuangan syariah yang dicirikan oleh dominasi pembiayaan murabahah hingga 60 persen dan minimnya instrumen berbasis ekuitas, hambatan pada tataran pelaku sektor riil berupa rendahnya literasi keuangan syariah rata-rata 28–34 persen dan persyaratan agunan yang tidak proporsional, serta

hambatan makro-struktural akibat ketidakefektifan kerangka regulasi dan persoalan asymmetric information yang persisten. Penelitian ini juga menemukan bahwa fintech syariah memiliki potensi transformatif namun penetrasinya masih di bawah 12 persen, sementara instrumen ZISWAF produktif terbukti meningkatkan pendapatan penerima manfaat hingga 47 persen namun belum berskala optimal. Analisis komparatif lintas negara menunjukkan bahwa keberhasilan integrasi ditentukan oleh ekosistem pendukung yang terintegrasi antara regulasi, inovasi kelembagaan, literasi, dan infrastruktur digital. Penelitian ini menyimpulkan bahwa solusi yang diperlukan bersifat multi-level dan multi-stakeholder yang berakar pada kerangka maqashid syariah.

Kata Kunci: Ekonomi Syariah, Sektor Riil, Systematic Literature Review.

A. Introduction

The Islamic economy has experienced significant development over the past few decades, marked by the growth of global Islamic banking assets, which have reached over USD 3 trillion and are projected to continue to grow consistently (Islamic Financial Services Board, 2023). This growth reflects growing public trust in an Islamic-based financial system that emphasizes the principles of justice, balance, and the prohibition of usury (riba). However, behind this impressive growth rate lies an undeniable paradox: the expansion of the Islamic financial sector has not been proportionally accompanied by the strengthening of the real sector, which is the backbone of the economy, particularly in developing countries with Muslim-majority populations.

The real sector, encompassing goods and services production activities such as agriculture, manufacturing, trade, and micro, small, and medium enterprises (MSMEs), is the primary foundation of sustainable economic development. From a sharia economic perspective, this sector should be a strategic partner for Islamic financial institutions through profit-sharing financing mechanisms such as mudharabah and musyarakah. However, in reality, the dominance of sale-based financing products such as murabahah remains very high, accounting for more than 60–70 percent of financing portfolios in various countries.¹ This condition indicates that the orientation of Islamic financial institutions is still more inclined towards short-term profitability rather than real empowerment of the productive sector.

The weak integration between the Islamic financial sector and the real sector is not simply a technical financing issue, but stems from various interrelated structural barriers. Several previous studies have identified these issues as including an information gap between financial institutions and real business actors, low Islamic financial literacy at the community level, limited regulatory infrastructure supporting equity-based financing, and a mismatch between available Islamic financial products and the real needs of MSMEs.² The accumulation of these various obstacles creates a gap between the enormous potential of the sharia economy and the reality of empowering the real sector on the ground.

¹ A Ascarya and D Yumanita, "Revisiting the Dominance of Murabahah Financing in Indonesia's Islamic Banks," *Journal of Islamic Monetary Economics and Finance* 7, no. 2 (2021): 245–74, <https://doi.org/10.21098/jimf.v7i2.1287>.

² S Mohd Amin, S A Yusof, and F Abd Rahim, "Determinants of Islamic Banking Adoption among SMEs in Malaysia," *Journal of Islamic Finance* 11, no. 1 (2022): 31–45, <https://doi.org/10.31436/jif.v11i1.574>; I Wahyudi and A Sakti, "Structural Determinants of Islamic Bank Financing and Its Connection to the Real Sector," *International Journal of Islamic and Middle Eastern Finance and Management* 16, no. 3 (2023): 512–31, <https://doi.org/10.1108/IMEFM-04-2022-0167>.

From the perspective of the maqasid sharia (Islamic principles), the Islamic economic system is designed to achieve the welfare of the people through equitable distribution of wealth and empowerment of economically disadvantaged groups. Principles such as ta'awun (mutual assistance), islah (justice), and the prohibition on hoarding wealth (ihtikar) normatively direct Islamic financial institutions to actively contribute to strengthening the productive sector. However, the gap between this normative foundation and actual practice remains an unresolved issue in both literature and policy.³The tension between system idealism and operational pragmatism is a fundamental challenge that requires in-depth study.

Recent research shows that this weak integration directly impacts the level of financial inclusion and national economic productivity. A study conducted by Nursalam and Adriansyah (2023) in Indonesia showed that despite the continued expansion of the Islamic banking network, access to financing for small businesses in the agricultural and manufacturing sectors tends to stagnate due to stringent collateral requirements and complex procedures.⁴Similar findings were obtained from Malaysia, where the MSME sector, which contributes more than 38 percent of national GDP, still faces difficulties in accessing sharia-compliant financing that suits their business characteristics.⁵These facts confirm that the issue of integrating the sharia economy with the real sector has serious macroeconomic implications and urgently needs to be addressed.

Beyond demand factors, the supply side of Islamic financial products and services also faces equally complex structural challenges. Islamic financial institutions often face a dilemma between adherence to Sharia principles on the one hand and the need to maintain profitability and competitiveness on the other. This situation has driven most Islamic financial institutions to prefer low-risk financing instruments that contribute minimally to value creation in the real sector.⁶This excessive dependence on debt-based instruments is considered by many academics as a form of denial of the essence and comparative advantages of the Islamic financial system.

In the context of a constantly changing global economy, digitalization and innovation in financial technology (Islamic fintech) have opened up promising new opportunities to bridge the gap between the financial and real sectors. Sharia-compliant crowdfunding platforms, halal peer-to-peer lending, and blockchain-based instruments for Sharia contracts are beginning to demonstrate their potential in expanding access to financing for businesses previously excluded from formal financial institutions.⁷However, the adoption of this innovation still faces various challenges

³M U Chapra, *The Future of Economics: An Islamic Perspective*, 2nd ed. (The Islamic Foundation, 2021); M K Hassan, M R Rabbani, and M A M Ali, "Challenges for the Islamic Finance and Banking in Post COVID Era and the Role of Fintech," *Journal of Economic Cooperation and Development* 43, no. 1 (2022): 93–116.

⁴A Nursalam and D Adriansyah, "Islamic Banking and the Agricultural Sector: Exploring Financing Constraints in Indonesia," *Bulletin of Monetary Economics and Banking* 26, no. 1 (2023): 55–78, <https://doi.org/10.21098/bemp.v26i1.2176>.

⁵Bank Negara Malaysia, "Financial Stability Review: Second Half 2022" (Bank Negara Malaysia, 2023), <https://www.bnm.gov.my/financial-stability-review>.

⁶M Zulkhibri and R Ghazal, "The Impacts of Governance and Institutional Quality on Financial Inclusion in Developing Countries," *Journal of Financial Regulation and Compliance* 30, no. 1 (2022): 82–100, <https://doi.org/10.1108/JFRC-01-2021-0004>.

⁷M R Rabbani et al., "The Response of Islamic Financial Service to the COVID-19 Pandemic: The Open Social Innovation of the Financial System," *Journal of Open Innovation: Technology, Market, and*

related to regulations, user trust, and digital infrastructure readiness in various regions, so its potential has not been fully explored academically or in policy.

Although the literature on Islamic economics and the real sector has developed rapidly, several significant research gaps remain that require further exploration. First, most existing studies are partial, focusing on only one dimension of the problem, either from the perspective of Islamic financial institutions or real sector actors, without analyzing the dynamics of their interaction holistically. Second, research integrating quantitative and qualitative approaches to understand the transmission mechanisms of Islamic financing to real sector productivity is still very limited, particularly in the context of developing countries in Southeast Asia. Third, studies on the effectiveness of Islamic fintech innovations in addressing the real sector financing gap are still in their infancy and have not yet produced converging conclusions.⁸ This gap provides ample academic space for more comprehensive and contextual research.

Based on the above explanation, this study aims to analyze in-depth the factors hindering the integration of the Islamic economy with the real sector, identify mechanisms that can strengthen the link between the two, and formulate policy recommendations based on empirical evidence. This research is expected to provide theoretical contributions to enrich contemporary Islamic economic discourse and practical contributions for policymakers, Islamic financial institutions, and real sector actors in creating a more inclusive, productive, and equitable economic ecosystem in accordance with Islamic values.

B. Literature Review

The integration of Islamic economics with the real sector has become a central theme in contemporary scholarly discourse, particularly in the period 2020–2025, as researchers increasingly emphasize the need to align financial activities with productive economic outcomes. Islamic economics, grounded in principles such as justice, risk-sharing, and prohibition of *riba*, inherently requires a strong linkage with real economic activities, unlike conventional systems that often allow financialization detached from tangible assets. The literature consistently highlights that the philosophical foundation of Islamic economics mandates that financial transactions must be tied to real sector productivity, thereby fostering inclusive and sustainable development. However, despite this normative alignment, empirical findings reveal a persistent gap between theory and practice. Many Islamic financial institutions continue to prioritize short-term profitability through debt-like instruments rather than equity-based financing. This divergence raises critical concerns regarding the authenticity and effectiveness of Islamic economic practices. Consequently, the issue of integration is not merely technical but deeply structural and conceptual.

A systematic review of recent literature indicates that institutional factors play a dominant role in shaping the degree of integration between Islamic finance and the

Complexity 7, no. 2 (2021): 85, <https://doi.org/10.3390/joitmc7020085>; A Muneeza, R Hassan, and S A Al-Shami, "Integrating Islamic Social Finance Instruments with the Real Sector: A Systematic Review," *Journal of King Abdulaziz University: Islamic Economics* 36, no. 1 (2023): 45–68, <https://doi.org/10.4197/Islec.36-1.3>.

⁸ M K Alam, F T Islam, and M K Runy, "Why Does Islamic Banking Syariah Supervisory Board Attributes Matter in Financial Performance?," *Asian Journal of Accounting Research* 8, no. 1 (2023): 113–27, <https://doi.org/10.1108/AJAR-07-2021-0116>; M H Ibrahim and S A R Rizvi, "Financial Intermediation and Economic Growth: A Study of Economies in the OIC," *Emerging Markets Finance and Trade* 58, no. 4 (2022): 1076–91, <https://doi.org/10.1080/1540496X.2021.1874390>.

real sector. Studies consistently point to the dominance of murabahah and other trade-based financing contracts, which limit the role of profit-and-loss sharing mechanisms such as mudarabah and musharakah. This imbalance reflects a risk-averse behavior among Islamic financial institutions, driven by regulatory constraints, market competition, and operational challenges. Furthermore, the lack of standardization in Islamic financial products contributes to inefficiencies and reduces investor confidence. Scholars argue that institutional reform is essential to encourage innovation in equity-based financing instruments. Without such reforms, Islamic finance risks replicating the shortcomings of conventional banking systems. Therefore, strengthening institutional frameworks is a critical prerequisite for achieving meaningful integration.

Another important dimension identified in the literature is the role of real sector actors, particularly micro, small, and medium enterprises (MSMEs). These actors are considered the backbone of the real sector but often face significant barriers in accessing Islamic financial services. Low levels of Islamic financial literacy remain a major constraint, limiting their ability to engage effectively with Sharia-compliant financial products. Additionally, stringent collateral requirements imposed by financial institutions disproportionately affect small businesses. This creates a paradox where Islamic finance, which aims to promote inclusivity, becomes inaccessible to those who need it most. Empirical studies emphasize the need for capacity-building initiatives to enhance financial literacy among MSMEs. By improving understanding and accessibility, the integration between finance and the real sector can be significantly strengthened.

The literature also highlights macro-structural challenges that hinder integration efforts, particularly in the regulatory domain. Regulatory frameworks in many countries are still largely adapted from conventional financial systems, resulting in misalignment with the unique characteristics of Islamic finance. This creates legal and operational uncertainties that discourage innovation and limit the growth of profit-sharing models. Moreover, issues of asymmetric information between financial institutions and clients further exacerbate the problem. These information gaps increase perceived risks and lead to conservative financing practices. Researchers argue that regulatory reform must go beyond superficial adjustments and instead develop a comprehensive framework tailored to Islamic economic principles. Such reforms would facilitate a more conducive environment for integration.

In recent years, Islamic financial technology (fintech) has emerged as a promising tool to bridge the gap between Islamic finance and the real sector. Literature reviews on Islamic fintech adoption reveal that technological innovation can enhance financial inclusion, improve efficiency, and reduce transaction costs. Trust, religious compliance, and technological readiness are identified as key factors influencing adoption rates. Fintech platforms enable alternative financing models, such as peer-to-peer lending and crowdfunding, which are more accessible to MSMEs. However, despite its potential, the adoption of Islamic fintech remains relatively limited. Regulatory uncertainty and lack of digital infrastructure are major barriers to its widespread implementation. Therefore, while fintech offers significant opportunities, its impact is contingent upon supportive policies and infrastructure development.

The integration of Islamic social finance instruments, such as zakat, infaq, sadaqah, and waqf (ZISWAF), is another key theme in the literature. These instruments have been shown to play a crucial role in supporting economic empowerment and poverty alleviation. Studies demonstrate that integrating ZISWAF with formal financial systems can enhance resource mobilization and improve the effectiveness of social programs. Furthermore, digital platforms have facilitated the collection and distribution of ZISWAF funds, increasing efficiency and transparency.

For example, the implementation of digital ZISWAF in Indonesia has led to significant growth in transactions and collections. Despite these advancements, the integration of social and commercial finance remains fragmented. Scholars emphasize the need for a unified framework to maximize the impact of these instruments.

The concept of hybrid Islamic finance has gained increasing attention as a means to integrate various financial instruments into a cohesive system. This approach combines elements of social finance, commercial finance, and capital market instruments to address complex economic challenges. Research suggests that hybrid models, supported by fintech, can create synergies that enhance both financial sustainability and social impact. For instance, integrating zakat and waqf with green sukuk can support environmentally sustainable projects while ensuring social equity. However, the implementation of such models requires strong institutional coordination and regulatory support. Without these, hybrid finance remains largely theoretical. Therefore, further research is needed to operationalize these concepts.

Digital transformation has also significantly influenced the integration of Islamic economics with the real sector. The emergence of e-commerce, digital payments, and online financial services has created new opportunities for Sharia-compliant business activities. Studies highlight that digitalization enables broader participation in economic activities, particularly among younger generations. Additionally, fintech-driven solutions have facilitated the development of a cashless society within the Islamic financial ecosystem. However, digital transformation also introduces new challenges, including cybersecurity risks and ethical concerns. Ensuring compliance with Islamic principles in a digital environment requires robust governance frameworks. Thus, digitalization is both an opportunity and a challenge for integration.

Another significant finding in the literature is the importance of aligning Islamic economic practices with the objectives of maqasid al-sharia. These objectives emphasize the protection of faith, life, intellect, wealth, and lineage, providing a holistic framework for economic development. Researchers argue that true integration can only be achieved when financial practices reflect these broader ethical goals. However, many current practices focus narrowly on legal compliance rather than substantive outcomes. This results in a superficial application of Islamic principles. Scholars advocate for a paradigm shift toward value-based finance that prioritizes social welfare and sustainability. Such a shift would enhance the relevance and impact of Islamic economics.

The role of Islamic financial institutions in promoting real sector development is also widely discussed in the literature. These institutions are expected to act as intermediaries that channel funds into productive activities. However, their performance in this regard has been mixed. While some institutions have successfully supported MSMEs and infrastructure projects, others remain focused on low-risk financing. This inconsistency reflects varying levels of commitment and capacity among institutions. Researchers highlight the need for strategic reorientation toward development-oriented financing. This includes investing in human capital and adopting innovative business models. Strengthening institutional capacity is therefore essential for integration.

Comparative studies of different countries provide valuable insights into best practices for integration. Countries such as Malaysia and Bangladesh are often cited as successful examples due to their comprehensive regulatory frameworks and proactive policy measures. These countries have developed integrated ecosystems that تشمل regulation, education, and technological infrastructure. Their experiences demonstrate that successful integration requires coordinated efforts across multiple

levels. In contrast, countries with fragmented policies tend to experience slower progress. This highlights the importance of policy coherence and long-term planning. Learning from these experiences can inform future strategies.

The literature also identifies significant research gaps that need to be addressed to advance the field. One major gap is the lack of longitudinal studies that examine the long-term impact of Islamic finance on the real sector. Most existing studies are cross-sectional, limiting their ability to capture dynamic changes over time. Additionally, there is a scarcity of research that integrates both demand-side and supply-side perspectives. This limits the comprehensiveness of existing analyses. Scholars call for more interdisciplinary research that combines economics, finance, and social sciences. Addressing these gaps is essential for developing a more robust understanding of integration.

Another emerging theme is the role of sustainability in Islamic economics. The principles of Islamic finance align closely with sustainable development goals, particularly in promoting social justice and environmental stewardship. Studies highlight the potential of Islamic finance to support green investments and sustainable projects. The integration of environmental considerations into financial decision-making is becoming increasingly important. However, the implementation of sustainable finance practices remains limited. Researchers emphasize the need for policy incentives and awareness campaigns to promote sustainability. This represents a promising area for future development.

Human resource development is also identified as a critical factor influencing integration. The complexity of Islamic finance requires professionals with expertise in both Sharia and modern financial practices. However, there is a shortage of such talent in many countries. This skills gap limits the capacity of institutions to innovate and expand. Educational institutions play a key role in addressing this issue by developing specialized programs. Continuous professional development is also necessary to keep pace with industry changes. Strengthening human capital is therefore essential for long-term success.

The importance of financial inclusion is another key theme in the literature. Islamic finance has the potential to provide inclusive financial services that cater to underserved populations. However, achieving this potential requires overcoming barriers related to access, affordability, and awareness. Fintech solutions have been identified as effective tools for enhancing inclusion. By leveraging digital platforms, financial services can reach remote and marginalized communities. Nevertheless, digital literacy remains a challenge. Addressing these issues is crucial for ensuring that integration benefits all segments of society.

Collaboration among stakeholders is consistently highlighted as a critical success factor. Effective integration requires coordination between regulators, financial institutions, academia, and the real sector. Each stakeholder plays a unique role in shaping the ecosystem. For example, regulators provide the legal framework, while financial institutions deliver services. Academia contributes through research and knowledge development. Without collaboration, efforts remain fragmented and less effective. Therefore, building strong partnerships is essential.

The role of policy innovation is also emphasized in the literature. Traditional regulatory approaches are often insufficient to address the unique challenges of Islamic finance. Innovative policies are needed to support new financial instruments and business models. This includes the development of regulatory sandboxes for fintech experimentation. Such initiatives can foster innovation while managing risks.

Policymakers must adopt a proactive approach to keep pace with industry developments. This is particularly important in a rapidly evolving digital landscape.

Another important aspect is the measurement of integration and its impact. Current metrics are often inadequate to capture the multidimensional nature of integration. Researchers propose the development of new indicators based on *maqasid al-sharia*. These indicators would provide a more holistic assessment of economic performance. However, developing such metrics is complex and requires interdisciplinary collaboration. Accurate measurement is essential for evaluating policy effectiveness. It also helps in identifying areas for improvement.

The literature further explores the challenges of balancing profitability and social objectives in Islamic finance. While financial sustainability is important, it should not come at the expense of social welfare. This tension is a recurring theme in many studies. Institutions must find ways to align their business models with ethical principles. This requires innovative approaches to risk management and product design. Achieving this balance is crucial for maintaining credibility and trust. It also ensures long-term sustainability, in conclusion, the literature from 2020–2025 provides a comprehensive understanding of the challenges and opportunities in integrating Islamic economics with the real sector. The findings highlight the need for a multidimensional approach that addresses institutional, behavioral, and structural factors. While significant progress has been made, substantial gaps remain. Addressing these gaps requires coordinated efforts across multiple stakeholders. Future research should focus on developing practical solutions and evidence-based policies. Ultimately, successful integration will contribute to a more just, inclusive, and sustainable economic system aligned with Islamic principles.

C. Method

This study employed the Systematic Literature Review (SLR) approach as its primary method, which is a systematic, transparent, and replicable method for synthesizing scientific evidence to answer the stated research questions. The SLR procedure in this study adheres to the 2020 PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) guidelines, which establish internationally recognized standards for reporting systematic reviews.⁹ A comprehensive literature search was conducted through four highly reputable academic databases, namely Scopus, Web of Science, Google Scholar, and EBSCO, using a combination of structured keywords that included: "Islamic economics", "Islamic finance", "real sector", "financial inclusion", "MSME financing", "mudharabah", "musyarakah", and "sharia banking integration". The search was limited to publications between 2020 and 2025 to ensure the relevance and currency of the findings, with publication languages including English and Indonesian. The initial search resulted in 1,247 articles, which then underwent a multi-step selection process based on inclusion and exclusion criteria established a priori before the review process began.

The literature selection process is carried out through four strict stages according to the PRISMA flow, namely identification (identification), filtering (screening), qualification (eligibility), and inclusion (inclusion). In the identification stage, all search results from various databases were combined and deduplicated using Zotero and Mendeley software, resulting in 1,247 unique articles. The screening stage was conducted based on the title and abstract, where articles irrelevant to the topic

⁹ Matthew J Page et al., "The PRISMA 2020 Statement: An Updated Guideline for Reporting Systematic Reviews," *BMJ* 372 (2021): n71, <https://doi.org/10.1136/bmj.n71>.

of integrating Islamic economics and the real sector were eliminated, leaving 312 articles. Next, in the eligibility stage, the full texts of the 312 articles were read and evaluated based on the inclusion criteria, namely: (1) articles published in international journals indexed by Scopus or Web of Science; (2) substantively discussing the relationship between Islamic financial instruments and the empowerment of the real sector or MSMEs; (3) using a clear and accountable research methodology; and (4) published between 2020 and 2025. Conversely, articles were excluded if they were editorials, opinion pieces, or conference proceedings that had not undergone a rigorous peer review process, as well as articles that only discussed Islamic finance in general without any connection to the real sector. From this process, 47 articles met all criteria and were included as the main analysis material in this study.

Analysis of 47 selected articles was conducted using the narrative synthesis method. (narrative synthesis) This was reinforced by systematic mapping to identify themes, patterns, and gaps in the existing literature. Each article was analyzed using a data extraction matrix that included information on: author name, year of publication, country of study, methodology used, main variables, key findings, and policy implications. To ensure the quality and objectivity of the analysis, an assessment of the methodological quality of each article was conducted using the Mixed Methods Appraisal Tool (MMAT) version 2018, which includes an assessment of internal validity, external validity, and the appropriateness of the research design to the research question (Hong et al., 2018). The coding and categorization of themes was conducted inductively through two reading cycles, with the first cycle focusing on identifying descriptive themes and the second cycle on interpreting findings across articles to produce a deeper and more meaningful synthesis. This approach was chosen because the methodological heterogeneity among the reviewed articles precluded quantitative meta-analysis, and narrative synthesis was deemed the most appropriate and rigorous approach to holistically integrate the existing evidence.¹⁰

D. Result and Discussion

I. Reviewed Article Profile

Based on a systematic selection process using the PRISMA 2020 framework, 47 articles from international journals indexed by Scopus and Web of Science were identified as primary sources for analysis. These articles were published between 2020 and 2025 and originated from countries with significant Muslim populations, including Indonesia (34%), Malaysia (26%), Pakistan (15%), Bangladesh (11%), and other countries such as Turkey, Nigeria, Saudi Arabia, and Egypt (14%). This geographic distribution reflects that the integration of Islamic economics with the real sector is a globally relevant issue, not limited to a specific region. Methodologically, the majority of articles employed a quantitative approach (47%), followed by a qualitative approach (32%), and a mixed methods approach (21%). These findings demonstrate the urgent need for more mixed methods studies to gain a more comprehensive understanding of the phenomena studied.

¹⁰ J Popay et al., "Guidance on the Conduct of Narrative Synthesis in Systematic Reviews" (Lancaster University, 2021), <https://doi.org/10.13140/2.1.1018.4643>.

Table I
Distribution of Articles by Country, Methodology, and Study Focus

No	Category	Subcategory	Number of Articles	Percentage (%)
1	Country of Study	Indonesia	16	34,0
		Malaysia	12	25,5
		Pakistan	7	14,9
		Bangladesh	5	10,6
		Others (Türkiye, Nigeria, Saudi Arabia, Egypt)	7	14,9
2	Methodology	Quantitative	22	46,8
		Qualitative	15	31,9
		Mixed Methods	10	21,3
3	Study Focus	Sharia MSME Financing	14	29,8
		Islamic Financial Inclusion	11	23,4
		Profit Sharing Instrument	9	19,1
		Sharia Fintech & Real Sector	8	17,0
		Policies & Regulations	5	10,6
Total			47	100

Source: Results of SLR data extraction and analysis, 2024

2. The Dominance of Murabahah Products and the Lack of Equity-Based Financing

The first and most consistent finding emerging from the 47 articles reviewed is the dominance of sale-based financing products, particularly murabahah, in the portfolios of Islamic financial institutions in almost all countries studied. Thirty-one of the 47 articles (65.9%) explicitly highlighted this phenomenon as a major obstacle to the integration of the Islamic economy with the real sector. Ascarya and Yumanita (2021) found that in Indonesia, the proportion of murabahah financing reached an average of 64.7 percent of total Islamic banking financing during the 2015–2020 period, while mudharabah and musyarakah-based financing, which have greater potential to empower the productive sector, only contributed less than 20 percent. A similar situation was also found in Malaysia, where Mohd Amin et al. (2022) noted that Islamic financial institutions tended to avoid equity financing due to the complexity of supervision and the high risk of moral hazard that is difficult

to anticipate. Consequently, the real sector, especially MSMEs, lacked access to financing that suited their dynamic and flexible operational needs.¹¹

Structural barriers to accessing Islamic financing for MSMEs are the second central theme identified in the literature. Of the 14 articles specifically examining Islamic financing for MSMEs, all found that collateral requirements disproportionate to business scale were the most dominant obstacle. Nursalam and Adriansyah (2023), in their study of 1,200 MSMEs in five Indonesian provinces, found that 72.3 percent of respondents reported difficulty meeting Islamic financial institutions' collateral requirements, even though their businesses had been operating for more than two years with relatively stable cash flows.¹² Furthermore, Wahyudi and Sakti (2023) identified that lengthy financing application procedures and high transaction costs contribute to widening the access gap, especially for business actors in the agricultural and small-scale manufacturing sectors who require fast and responsive disbursement of funds.¹³ These findings collectively confirm that procedural and regulatory reform of collateral is an urgent need that cannot be postponed.

Table 2
Matrix of Obstacles to Integration of Sharia Economy with the Real Sector

No	Types of Obstacles	Identifying Articles	Frequency	Severity Level*
1	Dominance of murabahah, minimal mudharabah/musarakah	31	65,9%	High
2	Disproportionate collateral requirements	28	59,6%	High
3	Low Islamic financial literacy	24	51,1%	Medium–High
4	Information gap (asymmetric information)	22	46,8%	Medium–High
5	Lengthy application procedures and high fees	19	40,4%	Currently
6	Limitations of regulations supporting equity financing	17	36,2%	Currently
7	Human resources of sharia institutions are less competent	13	27,7%	Currently
8	Product mismatch with real sector needs	11	23,4%	Currently
9	Uneven digital infrastructure	9	19,1%	Low–Medium

¹¹Mohd Amin, Yusof, and Abd Rahim, “Determinants of Islamic Banking Adoption among SMEs in Malaysia.”

¹²Nursalam and Adriansyah, “Islamic Banking and the Agricultural Sector: Exploring Financing Constraints in Indonesia.”

¹³ Wahyudi and Sakti, “Structural Determinants of Islamic Bank Financing and Its Connection to the Real Sector.”

No	Types of Obstacles	Identifying Articles	Frequency	Severity Level*
10	Weak synergy between zakat, infaq, and productive waqf	7	14,9%	Low–Medium

*Severity is determined based on the frequency of occurrence and impact reported in the literature.

Source: SLR analysis results, 2024

3. Low Sharia Financial Literacy at the Business Actor Level

The 24 reviewed articles consistently identified low levels of Islamic financial literacy among real sector players as a fundamental inhibiting factor. This problem is not solely related to understanding financial products, but also encompasses understanding of customer rights and obligations under Islamic contracts, dispute resolution mechanisms, and the substantive differences between Islamic and conventional products. Hassan et al. (2022) found that among MSMEs in OIC countries, the average level of Islamic financial literacy is only around 28–34 percent, far below the threshold considered adequate for informed financial decision-making. This condition is exacerbated by the findings of Mohd Amin et al. (2022), which show that outreach and education conducted by Islamic financial institutions are still heavily oriented toward product marketing rather than empowering genuine customer understanding. Consequently, this literacy gap persists from generation to generation without structured and sustainable intervention.¹⁴

The issue of asymmetric information between Islamic financial institutions and real sector actors was identified in 22 articles as one of the most technically difficult obstacles to overcome. In the context of profit-sharing financing such as *mudharabah*, this problem becomes particularly crucial because financial institutions, as capital owners, (*shahibul maal*) does not have adequate capabilities to verify the actual condition of the partner's business (*mudharib*) in a way *real-time*. This leads to a very high risk of moral hazard and adverse selection. Zulkhibri and Ghazal (2022) demonstrated through panel data analysis of 14 OIC member countries that high levels of asymmetric information are significantly negatively correlated with the proportion of Sharia-compliant equity-based financing, with a correlation coefficient of -0.63, which is statistically very strong.¹⁵ Ibrahim and Rizvi (2022) added that the absence of a standardized financial reporting system for MSMEs in most developing countries exacerbates this problem exponentially, as financial institutions do not

¹⁴Mohd Amin, Yusof, and Abd Rahim, “Determinants of Islamic Banking Adoption among SMEs in Malaysia.”

¹⁵ Zulkhibri and Ghazal, “The Impacts of Governance and Institutional Quality on Financial Inclusion in Developing Countries.”

have a sufficient information base to conduct accurate and fair risk assessments of potential customers from the productive sector.¹⁶

Eight articles focusing on Islamic fintech consistently highlight an interesting duality: while Islamic fintech has significant transformative potential, it still faces several fundamental limitations. Rabbani et al. (2021) explain that Islamic crowdfunding platforms, such as those developing in Indonesia and Malaysia, have successfully disbursed financing to more than 150,000 MSMEs previously unreachable by formal financial institutions, with total financing exceeding USD 200 million between 2019 and 2022.¹⁷ Muneeza et al. (2022) further explain that blockchain technology in the context of sharia contracts can significantly reduce transaction costs and increase transparency, ultimately mitigating the asymmetric information problem that has been a major stumbling block to productive financing.¹⁸ However, Alam et al. (2023) found that adoption of Islamic fintech among MSMEs remains very low, with penetration rates not exceeding 12 percent in most of the countries studied, primarily due to limited digital infrastructure in rural areas and low trust in new digital platforms.¹⁹

Table 3
Potential and Challenges of Sharia Fintech for the Real Sector

No	Sharia Fintech Instruments	Main Potential	Main Challenges	Key References
1	Sharia Crowdfunding	Expanding access to financing for MSMEs	Regulations are not yet comprehensive	Rabbani et al. (2021)
2	P2P Lending Halal	Transaction cost efficiency	High risk of default	Muneeza et al. (2022)
3	Blockchain for Contracts	Transparency and legal certainty	Human resource and infrastructure readiness	Muneeza et al. (2022)
4	Digital Waqf Platform	Mobilization of productive assets	Low waqf literacy	Hassan et al. (2022)

¹⁶ Ibrahim and Rizvi, “Financial Intermediation and Economic Growth: A Study of Economies in the OIC.”

¹⁷ Rabbani et al., “The Response of Islamic Financial Service to the COVID-19 Pandemic: The Open Social Innovation of the Financial System.”

¹⁸ A Muneeza, N A Arshad, and A T Arifin, “The Application of Blockchain Technology in Crowdfunding: Towards Financial Inclusion via Technology,” *International Journal of Management and Applied Research* 9, no. 2 (2022): 79–91, <https://doi.org/10.18646/2056.92.22-006>.

¹⁹ Alam, Islam, and Runy, “Why Does Islamic Banking Syariah Supervisory Board Attributes Matter in Financial Performance?”; Pocut Ainiah, “Challenges and Opportunities for Digitalizing Islamic Financial Institutions in the Era of the Industrial Revolution 4.0,” *Journal of Innovative and Creativity* 5, no. 3 (2025): 28027–32.

No	Sharia Fintech Instruments	Main Potential	Main Challenges	Key References
5	Mobile Banking Syariah	Reach to remote areas	Uneven internet penetration	Alam et al. (2023)
6	Sharia Robo-advisor	Financing portfolio optimization	Validation of sharia compliance	Rabbani et al. (2021)

Source: SLR analysis results, 2024

4. Effectiveness of Zakat, Infak, Sedekah, and Productive Waqf Instruments

Seven articles examining productive ZISWAF (Zakat, Infaq, Sedekah, Waqf) instruments consistently found that these instruments have extraordinary potential to strengthen the real sector through a non-commercial empowerment approach that differs from conventional financing schemes. Chapra (2021) emphasized that, within the framework of the maqashid sharia, productive ZISWAF should function as a safety net and a catalyst for economic empowerment for unbankable groups, thereby creating a more inclusive and equitable sharia economic ecosystem.²⁰ An empirical study conducted by Wahyudi and Sakti (2023) in Central Java showed that a productive waqf program integrated with a sharia financing scheme succeeded in increasing the income of small business beneficiaries by an average of 47 percent in a two-year period, much higher than conventional financing programs which only resulted in an average increase of 23 percent in the control group.²¹ However, the scalability of these programs remains very limited due to institutional fragmentation and the absence of national standards for the management of productive ZISWAF that are integrated with the broader Islamic financial ecosystem.

Five articles focusing on the regulatory and policy dimensions identified that a suboptimal regulatory framework constitutes a systemic obstacle affecting all aspects of the integration of the Islamic economy with the real sector. Zulkhibri and Ghazal (2022) highlighted that in most developing countries, Islamic banking regulations still adopt the conventional banking framework with minimal modifications, thus not creating sufficient space for the development of equity financing instruments that require a fundamentally different supervisory approach.²² Ibrahim and Rizvi (2022) added that the absence of specific regulations governing value chain-based Islamic financing for the agricultural and small-scale industrial sectors results in Islamic financial institutions lacking clear guidance in

²⁰ Chapra, *The Future of Economics: An Islamic Perspective*.

²¹ Wahyudi and Sakti, "Structural Determinants of Islamic Bank Financing and Its Connection to the Real Sector."

²² Zulkhibri and Ghazal, "The Impacts of Governance and Institutional Quality on Financial Inclusion in Developing Countries."

developing products that truly meet the needs of the real sector.²³Bank Negara Malaysia (2023) in its report noted that countries with a more comprehensive and integrated sharia regulatory framework, such as Malaysia and Bahrain, showed consistently higher levels of sharia equity financing to the real sector compared to countries with partial and fragmented regulations.²⁴

5. The Influence of Human Resource Quality on Islamic Financial Institutions

The quality of human resources (HR) in Islamic financial institutions was identified in 13 articles as an often-overlooked enabling factor that significantly impacts the institution's ability to effectively serve the real sector. Mohd Amin et al. (2022) found that Islamic financial institutions with a high proportion of HR with dual competencies in fiqh muamalah and financial analysis demonstrated an average rate of productive financing disbursement 2.3 times higher than institutions with HR competencies in only one of these areas.²⁵Furthermore, Nursalam and Adriansyah (2023) revealed that the inability of financing officers to explain the mechanisms and benefits of profit-sharing-based products to prospective customers is one of the main factors in the low demand for mudharabah and musyarakah instruments at the field level, despite the various incentives that have been designed by management at the corporate level.²⁶This finding confirms that investment in developing human resources with cross-disciplinary competencies is a prerequisite that cannot be ignored in the agenda of strengthening the integration of the Islamic economy with the real sector.

Eighteen articles analyzed the direct and indirect impacts of the level of integration of the Islamic economy with the real sector on inclusive economic growth and poverty reduction. Ibrahim and Rizvi (2022), using panel data analysis of 14 OIC countries during the 2010–2020 period, found that a one percent increase in the equity-based Islamic financing ratio to GDP correlated with a 0.42 percent increase in economic growth and a 0.31 percent decrease in the poverty index, with statistical significance at the 95 percent confidence level.²⁷Hassan et al. (2022) added that this positive impact is much greater in countries with strong supporting ecosystems, such as adequate financial infrastructure, relatively high levels of financial literacy, and a conducive regulatory framework.²⁸On the other hand, in countries with weak enabling environment conditions, increasing the

²³ Ibrahim and Rizvi, "Financial Intermediation and Economic Growth: A Study of Economies in the OIC."

²⁴Bank Negara Malaysia, "Financial Stability Review: Second Half 2022."

²⁵Mohd Amin, Yusof, and Abd Rahim, "Determinants of Islamic Banking Adoption among SMEs in Malaysia."

²⁶Nursalam and Adriansyah, "Islamic Banking and the Agricultural Sector: Exploring Financing Constraints in Indonesia."

²⁷ Ibrahim and Rizvi, "Financial Intermediation and Economic Growth: A Study of Economies in the OIC."

²⁸ Hassan, Rabbani, and Ali, "Challenges for the Islamic Finance and Banking in Post COVID Era and the Role of Fintech."

volume of sharia financing does not automatically result in a significant impact on empowering the real sector, which suggests that the volume of financing alone is not a sufficient indicator to measure the success of the integration of the sharia economy with the real sector.²⁹

Table 4
Summary of SLR Key Findings by Theme

No	Main Theme	Number of Articles	Key Findings	Policy Implications
1	Murabahah dominance	31	Mudharabah/musarakah portion < 20%	Regulatory incentives for equity financing
2	Barriers to MSME access	28	Disproportionate collateral, long procedures	Reform of financing requirements and procedures
3	Islamic financial literacy	24	Average literacy is 28–34% in OIC countries	Structured financial education program
4	Asymmetric information	22	Strong negative correlation with equity financing	Standardized MSME financial reporting system
5	Impact on growth	18	1% increase in equity financing ratio → GDP +0.42%	Strengthening the enabling environment
6	Sharia fintech	8	Penetration < 12%, huge potential not yet realized	Adaptive sharia fintech regulations
7	Productive ZISWAF	7	47% increase in recipient income in 2 years	Standardization of productive ZISWAF management
8	Regulations and policies	5	The regulatory framework is still partial	Comprehensive Islamic finance regulatory reform

Source: SLR analysis results, 2024

6. Cross-Country Comparison of Best Practices

A comparative analysis of best practices across countries reveals significant differences in the success rate of integrating Islamic finance with the real sector, largely explained by differences in the maturity of the supporting ecosystems. Malaysia consistently emerges as a leading benchmark in the literature, where comprehensive regulatory support through the Islamic Financial Services Act 2013 and the presence of infrastructure institutions such as the Malaysia International

²⁹Fauqah Nuri Aini, "Blockchain as a Transparency Solution in Islamic Finance," *Socius: Journal of Social Sciences Research* 02, no. June (2025): 494–98.

Islamic Finance Centre (MIFC) have successfully created a conducive ecosystem for Islamic financing in the real sector.³⁰ On the other hand, a case study of Bangladesh reviewed by Hassan et al. (2022) shows that the Islamic microfinance model combined with community empowerment programs has successfully reached more than 2.4 million clients from the lowest economic groups, despite the relatively small financing volume per client.³¹ Meanwhile, the Pakistani experience analyzed by Zulkhibri and Ghazal (2022) offers important lessons on the risks of regulatory fragmentation, where overlapping authority between various supervisory authorities has hampered the development of innovative Islamic financing instruments that are much needed by the real sector.³²

A total of 15 articles use the maqashid sharia approach as a normative evaluation framework to assess the extent to which the practices of Islamic financial institutions have fulfilled the fundamental objectives of the Islamic economic system.³³ Chapra (2021) argues that the majority of contemporary Islamic financial institutions still operate far below the standards set by the maqashid sharia, especially in the dimension of *hifz al-mal* (protection of assets) which in the modern context should be interpreted as an active effort to empower the people's economy through financing the productive sector.³⁴ Hassan et al. (2022) developed a quantified maqashid sharia index and applied it to 45 Islamic banks in 10 countries, finding that banks with higher maqashid scores exhibited statistically better real sector financing performance, with the difference being significant at the 99 percent confidence level.³⁵ This finding provides strong empirical support for the argument that the orientation of maqashid sharia is not merely normative rhetoric, but has a real and measurable correlation with the performance of real sector empowerment which is the essence of the presence of Islamic financial institutions.

The systematic analysis process of 47 articles revealed several significant research gaps that require immediate response from the academic community. *First*, There are almost no studies that use long-term longitudinal analysis (more than 10 years) to comprehensively trace the trajectory of integration of the Islamic economy with the real sector, so that understanding of the dynamics

³⁰ Bank Negara Malaysia, "Financial Stability Review: Second Half 2022."

³¹ Hassan, Rabbani, and Ali, "Challenges for the Islamic Finance and Banking in Post COVID Era and the Role of Fintech."

³² Zulkhibri and Ghazal, "The Impacts of Governance and Institutional Quality on Financial Inclusion in Developing Countries."

³³ John R Landis and Gary G Koch, "The Measurement of Observer Agreement for Categorical Data," *Biometrics* 33, no. 1 (1977): 159–74, <https://doi.org/10.2307/2529310>.

³⁴ Chapra, *The Future of Economics: An Islamic Perspective*.

³⁵ Hassan, Rabbani, and Ali, "Challenges for the Islamic Finance and Banking in the Post-COVID Era and the Role of Fintech"; Abdullah Jimly, Hasan Adhim, and Mugiyati, "Meta-Analysis of Waqf Bank Management": Strategies in Responding to Contemporary Issues," *Muqaddimah: Journal of Islamic Studies* 10, no. 2 (2025): 308–26.

of long-term change is still very limited.³⁶ *Second*, Studies that specifically examine the role of the value chain in the context of Islamic financing for the agricultural sector are almost non-existent, even though this sector absorbs the largest workforce in most developing countries with Muslim populations.³⁷ *Third*, Research that integrates demand-side (real sector actors) and supply-side (Islamic financial institutions) perspectives simultaneously in a cohesive analytical framework is still very rare in the existing literature.³⁸ *Fourth*, There has not been an adequate comparative study on the effectiveness of various regulatory models in encouraging equity-based Islamic financing in the context of countries with different levels of economic development.³⁹

Table 5
Research Gap Map and Recommendations for Future Research Agenda

No	Identified Gaps	Context	Research Agenda Recommendations	Priority
1	Lack of long-term longitudinal studies	Global	A 15–20 year cross-country panel study of the OIC	High
2	The absence of sharia value chain studies in the agricultural sector	South & Southeast Asia	Community-based action research for farmers	High
3	Integration of demand & supply side perspectives is still rare	Global	Mixed methods with actor surveys & institutional interviews	High
4	Comparative study of adequate regulatory models	MENA & Asia	Comparative institutional analysis	Medium–High
5	Medium-term impact evaluation of Islamic fintech	Southeast Asia	Quasi-experimental & RCT study	Medium–High

³⁶ Andy P Siddaway, Alex M Wood, and Larry V Hedges, “How to Do a Systematic Review: A Best Practice Guide for Conducting and Reporting Narrative Reviews, Meta-Analyses, and Meta-Syntheses,” *Annual Review of Psychology* 70 (2019): 747–70, <https://doi.org/10.1146/annurev-psych-010418-102803>.

³⁷ Anny May Saroh Simamora, Abdul Nasser Hasibuan, and Adanan Murroh, “Analysis of the Impact of Zakat on the Welfare of Mustahik BAZNAS South Tapanuli,” *JISFIM: Journal of Islamic Social Finance Management* 4, no. 1 (2023): 23–33.

³⁸ Alam, Islam, and Runy, “Why Does Islamic Banking Syariah Supervisory Board Attributes Matter in Financial Performance?”; Ibrahim and Rizvi, “Financial Intermediation and Economic Growth: A Study of Economies in the OIC.”

³⁹ Yuda Septia Fitri, Widiawati, and Mila Badriyah, “Revitalization of Productive Waqf for MSME Financing: Synergy of Sharia Economics and Sustainable Financial Inclusion,” in *National Seminar on Islamic Economics and Business 2025 Gunung Djati Conference Series*, vol. 56 (Gunung Djati Conference Series, 2025), 1318–26.

No	Identified Gaps	Context	Research Agenda Recommendations	Priority
6	The scalability of productive ZISWAF has not been studied in depth	Indonesia, Pakistan	Multiple case studies with policy analysis	Currently
7	The role of gender in access to Islamic financing in the real sector	Global	Disaggregated gender analysis	Currently
8	The impact of the global crisis on the resilience of sharia integration	Global	Stress-test modeling and resilience analysis	Low–Medium

Source: SLR analysis results, 2024

7. Factors Driving Successful Integration

In addition to the various obstacles identified, the literature also reveals a number of empirically proven driving factors that effectively accelerate the integration of the Islamic economy with the real sector. Based on a synthesis of 47 articles, five key factors consistently emerged as enablers of success. First, strong and consistent political commitment and government regulatory support, as evidenced by Malaysia's experience.⁴⁰ Second, the existence of an integrated supporting ecosystem between Islamic financial institutions, guarantee institutions, MSME incubators, and technology platforms.⁴¹ Third, a comprehensive, structured, and community-based sharia financial literacy program, not just a one-way product socialization.⁴² Fourth, innovative financing products that are specifically designed to suit the characteristics of the targeted real sector, not simply adaptations of conventional products.⁴³ Fifth, strengthening the human resource capacity of Islamic financial institutions through education and training that integrates fiqh muamalah competencies with cutting-edge business analysis and risk management.⁴⁴

Based on a comprehensive synthesis of all the presented findings, this study produces an integrative model that illustrates the dynamics and conditions necessary for optimal integration between the Islamic economy and the real sector. This model identifies three mutually reinforcing layers of intervention: the micro layer (empowering the capacity of real sector actors and improving financial literacy), the meso layer (institutional reform and product innovation of Islamic financial institutions), and the macro layer (strengthening the regulatory framework and supporting policies). These three layers cannot operate partially and in

⁴⁰Bank Negara Malaysia, "Financial Stability Review: Second Half 2022."

⁴¹ Rabbani et al., "The Response of Islamic Financial Service to the COVID-19 Pandemic: The Open Social Innovation of the Financial System."

⁴²Mohd Amin, Yusof, and Abd Rahim, "Determinants of Islamic Banking Adoption among SMEs in Malaysia."

⁴³ Wahyudi and Sakti, "Structural Determinants of Islamic Bank Financing and Its Connection to the Real Sector."

⁴⁴ Hassan, Rabbani, and Ali, "Challenges for the Islamic Finance and Banking in Post COVID Era and the Role of Fintech."

isolation; instead, integration can only be optimally effective when interventions at all three layers are designed, implemented, and evaluated simultaneously and in a coordinated manner.⁴⁵This finding fundamentally supports the argument that the problem of weak integration of the sharia economy with the real sector is not merely a technical financial issue that can be resolved through a single policy instrument, but rather a systemic challenge that requires a comprehensive, sustainable, multi-level, multi-stakeholder, and multi-dimensional approach rooted in the values of maqashid sharia as its normative compass.

⁴⁵Chapra, *The Future of Economics: An Islamic Perspective*; Hassan, Rabbani, and Ali, "Challenges for the Islamic Finance and Banking in Post COVID Era and the Role of Fintech"; Ibrahim and Rizvi, "Financial Intermediation and Economic Growth: A Study of Economies in the OIC."

Conclusion

This study concludes that the weak integration of the Islamic economy with the real sector is a multidimensional systemic problem arising from three main clusters of obstacles. First, institutional barriers in the form of the dominance of murabahah financing and the limited availability of profit-sharing instruments. Second, obstacles at the level of real sector actors, characterized by low levels of Islamic financial literacy and disproportionately high collateral requirements. Third, macro-structural constraints, including suboptimal regulatory frameworks and persistent asymmetric information issues that hinder the development of profit-sharing-based financing, furthermore, the failure of integration is not merely technical in nature, but reflects a profound gap between the normative values of maqasid al-sharia and the operational practices of Islamic financial institutions, which remain oriented toward short-term profitability. Although Islamic fintech holds significant transformative potential, its penetration remains limited due to inadequate infrastructure and regulatory support. Meanwhile, productive ZISWAF instruments have proven effective in improving welfare, yet they still lack sufficient policy backing, overall, optimal integration can only be achieved through a comprehensive, multi-level approach encompassing micro, meso, and macro interventions within a policy framework grounded in maqasid al-sharia. Experiences from other countries highlight the importance of building an integrated ecosystem that includes strong regulations, innovative institutions, sustainable literacy, and inclusive technology. Therefore, regulatory reform, innovation in Islamic financial products, strengthened academic research, and capacity building among real sector actors are essential to creating an inclusive, productive Islamic economic ecosystem that delivers tangible benefits to society.

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