

RECONFIGURING SHARIAH ECONOMIC LEGALITY: A NORMATIVE–JURIDICAL ANALYSIS OF ISLAMIC FINANCIAL GOVERNANCE

Amin Zaki¹, Ahmed Al-Fahad², and Sarah Williams³

¹ Universiti Islam, Malaysia

² King Saud University, Saudi Arabia

³ University of Toronto, Canada

Corresponding Author:

Amin Zaki,
Universiti Islam.
angunan Aisyah, Lot 287 Jalan 16/3, Seksyen 16 46350 Petaling Jaya, Selangor. Malaysia
Email: aminzaki@gmail.com

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Abstract

Islamic finance has expanded rapidly within diverse regulatory environments, raising critical questions about how Shariah economic legality is constructed and maintained. Legal interpretations in this field are shaped not only by formal compliance mechanisms but also by normative jurisprudence, institutional arrangements, and market dynamics, creating a complex and often fragmented governance landscape. This study aims to examine how Shariah legality is configured and to propose a reconfigurative framework that integrates normative and juridical perspectives within Islamic financial governance. A qualitative normative–juridical research design is employed through systematic analysis of 85 legal documents, including fatwas, regulatory frameworks, and international standards across multiple jurisdictions. Analytical matrices and coding techniques are used to identify patterns of legal reasoning, institutional structures, and interpretive authority. The findings reveal that centralized governance systems enhance consistency and innovation, while decentralized systems preserve interpretive diversity but increase legal fragmentation. Compliance-based standardization improves procedural clarity yet fails to eliminate epistemological divergence. These results indicate that Shariah economic legality is a dynamic construct shaped by continuous negotiation between doctrinal principles and institutional practices. The study concludes that effective Islamic financial governance requires integrative models that balance normative integrity with regulatory functionality, supporting both coherence and adaptability in a rapidly evolving financial environment.

Keywords: Islamic Financial Governance, Normative Juridical Analysis, Shariah Economic Legality



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INTRODUCTION

The contemporary landscape of Islamic finance has undergone significant expansion, evolving from a niche ethical alternative into a globally recognized financial system embedded within diverse regulatory environments (Kasmi, 2025; Puspitasari et al., 2024). This transformation has been accompanied by increasing institutional complexity, including the proliferation of Shariah supervisory boards, transnational standard-setting bodies, and hybrid legal frameworks that integrate religious norms with state-based financial regulations. Such developments have elevated the importance of examining how legality is constructed, interpreted, and operationalized within Shariah economic systems (Abdullah et al., 2025).

The concept of legality in Islamic finance cannot be reduced to formal compliance with codified rules, as it is deeply rooted in normative interpretations of Shariah principles. Legal determinations in this domain often involve interpretive processes shaped by jurisprudential schools, institutional authority (Ismail et al., 2024; Lestari et al., 2023), and socio-economic considerations. This dynamic interaction between normative theology and positive law creates a unique legal environment in which legitimacy is continuously negotiated rather than statically defined (Ardiantono et al., 2024).

Growing globalization and financial innovation have further complicated the governance of Islamic finance, particularly in jurisdictions where dual legal systems coexist. Divergences in regulatory standards, inconsistencies in fatwa issuance, and varying interpretations of permissible financial instruments have raised critical questions about the coherence and reliability of Shariah economic legality. These challenges necessitate a rigorous re-examination of how legal authority and normative validity are structured within Islamic financial governance (Fathi et al., 2025; Fayyad, 2023).

Persistent inconsistencies in the interpretation and implementation of Shariah principles across different jurisdictions have generated uncertainty within Islamic financial markets. Financial institutions often face conflicting rulings from Shariah scholars, leading to fragmented legal practices that undermine standardization efforts (Parvin et al., 2024). This lack of uniformity not only complicates regulatory oversight but also raises concerns regarding the credibility and integrity of Islamic financial products.

Institutional arrangements governing Shariah compliance frequently reveal tensions between economic pragmatism and normative fidelity. Regulatory bodies and financial institutions may prioritize market competitiveness and innovation, sometimes at the expense of deeper ethical considerations embedded in Shariah. Such tensions highlight a structural problem in balancing legal formalism with substantive moral objectives within Islamic economic governance (Nazir et al., 2025; Nguyen et al., 2025).

Existing governance frameworks also exhibit limitations in addressing emerging financial technologies and complex financial instruments. The rapid development of fintech, digital currencies, and algorithmic trading introduces new dimensions that challenge traditional jurisprudential approaches. These developments expose gaps in the adaptability of current legal frameworks, raising questions about their capacity to maintain both legitimacy and relevance in a rapidly changing financial ecosystem (Browne et al., 2024).

This study aims to critically examine the concept of legality within Shariah economic systems by employing a normative juridical analytical framework. The research seeks to unpack the foundational principles that inform legal interpretations in Islamic finance and to explore how these principles are institutionalized within contemporary governance structures (Leena Haniffah et al., 2023). Through this approach, the study intends to provide a more nuanced understanding of how legality is constructed beyond formal regulatory compliance (Ali et al., 2025; Rashid et al., 2025).

Another objective is to analyze the interaction between normative Shariah doctrines and state-based legal systems in shaping financial governance. The research investigates how different jurisdictions reconcile religious authority with statutory regulations, and how these

interactions influence the consistency and legitimacy of Islamic financial practices. This examination contributes to identifying structural patterns that either support or hinder effective governance (Brogi & Lagasio, 2024; Osakwe et al., 2025).

The study further aims to propose a conceptual reconfiguration of Shariah economic legality that integrates normative integrity with institutional functionality. By addressing the limitations of existing frameworks, the research aspires to offer theoretical and practical insights that can inform policy development, regulatory harmonization, and scholarly discourse. This objective underscores the importance of bridging doctrinal authenticity with contemporary financial realities (Arslan et al., 2025; Ercanbrack & Ali, 2024).

Existing literature on Islamic finance has predominantly focused on compliance mechanisms, product innovation, and market performance, often treating legality as a procedural or technical issue (Asadov et al., 2024; Bellucci, Borisov, et al., 2023). Such approaches tend to overlook the deeper normative dimensions that underpin legal interpretations within Shariah frameworks. As a result, the conceptual understanding of legality remains fragmented and insufficiently theorized.

Scholarly discussions have also tended to isolate jurisprudential analysis from institutional governance studies. Legal scholars often emphasize doctrinal purity and interpretive methodologies, while governance research prioritizes regulatory efficiency and organizational structures. This disciplinary separation has limited the development of integrative frameworks capable of capturing the complex interplay between normative and institutional dimensions of Islamic finance (Azadi et al., 2024).

Empirical studies addressing inconsistencies in Shariah rulings frequently document the problem without offering a robust theoretical foundation for resolving it. The absence of a comprehensive normative–juridical framework has constrained efforts to systematically address issues of legal fragmentation and legitimacy. This gap highlights the need for a more holistic analytical approach that bridges theoretical insights with practical governance challenges (Pattnaik et al., 2023).

This research introduces a reconfigurative perspective on Shariah economic legality by integrating normative jurisprudence with juridical institutional analysis. The study departs from conventional compliance-oriented approaches by emphasizing legality as a dynamic construct shaped by interpretive authority, institutional arrangements, and socio-economic contexts. This perspective offers a more comprehensive understanding of how legal validity is produced and contested within Islamic financial systems (Ameziane & Suykens, 2023; Gati et al., 2024).

The novelty of this study lies in its effort to synthesize doctrinal and governance dimensions into a unified analytical framework. By bridging the gap between normative theory and institutional practice, the research provides a conceptual model that can accommodate the complexities of modern Islamic finance. This integrative approach contributes to advancing scholarly discourse and addressing long-standing tensions between religious authenticity and regulatory functionality (Alotaibi et al., 2025).

The justification for this research is grounded in the urgent need to enhance the coherence and credibility of Islamic financial governance in a globalized economy. Addressing inconsistencies and fragmentation in legal interpretations is essential for maintaining stakeholder trust and ensuring sustainable growth. The study's findings are expected to offer valuable insights for policymakers, regulators, and scholars seeking to strengthen the legal and ethical foundations of Islamic finance.

RESEARCH METHOD

Research Design

This study employs a qualitative normative–juridical research design to examine the construction and reconfiguration of legality within Shariah economic governance. The

approach is grounded in doctrinal legal analysis, focusing on the interpretation of primary and secondary legal sources that shape Islamic financial practices (Rana et al., 2025; Yılmaz-Yamaç, 2024). Normative inquiry is used to explore the philosophical and jurisprudential foundations of Shariah legality, while juridical analysis situates these principles within contemporary regulatory frameworks. This dual orientation allows for a systematic investigation of how legal norms are formulated, interpreted, and institutionalized across different governance contexts. Analytical emphasis is placed on coherence, consistency, and the interplay between religious authority and state-based legal systems.

Research Target/Subject

The population of this study consists of authoritative legal texts, regulatory documents, and institutional guidelines relevant to Islamic finance. These include classical jurisprudential sources (fiqh literature and *usul al-fiqh*), contemporary fatwas issued by recognized Shariah supervisory boards, and regulatory standards developed by international bodies such as AAOIFI and IFSB. The sample is purposively selected to represent diverse legal traditions, geographical jurisdictions, and institutional frameworks, ensuring analytical depth and comparative breadth. Selection criteria prioritize texts and documents that demonstrate significant influence on Islamic financial governance, particularly those addressing issues of legality, compliance, and interpretive authority. Inclusion of cross-jurisdictional materials enables the identification of patterns, divergences, and structural tensions in the application of Shariah principles (Saeed et al., 2023).

Research Procedure

The procedures of this study begin with comprehensive literature collection and document selection based on predefined inclusion criteria. Selected materials are subjected to close reading and systematic coding to identify key themes and interpretive patterns. Comparative analysis is conducted across jurisdictions and institutional contexts to examine variations in legal interpretation and governance practices. Findings are then synthesized through a normative–juridical lens to construct an integrative framework for understanding and reconfiguring Shariah economic legality. Validation of interpretations is achieved through triangulation of sources and iterative analytical refinement, ensuring both depth and credibility of the findings (Cramer, 2025; Mohd Noor, 2023).

Instruments, and Data Collection Techniques

The instruments utilized in this research consist of structured document analysis matrices and conceptual coding frameworks designed to capture normative and juridical dimensions of legality. Analytical matrices are developed to categorize key themes such as legal reasoning, sources of authority, interpretive methods, and governance mechanisms. Coding procedures are informed by established qualitative analysis techniques, allowing for systematic identification of recurring patterns and conceptual relationships (Kim, 2024). The instrument framework also incorporates criteria for evaluating legal coherence, including consistency of rulings, alignment with foundational Shariah objectives (*maqasid al-shariah*), and adaptability to contemporary financial practices. This structured approach ensures analytical rigor while maintaining sensitivity to the interpretive nature of legal discourse.

RESULTS AND DISCUSSION

The dataset analyzed in this study consists of secondary legal and regulatory materials drawn from multiple jurisdictions, including Southeast Asia, the Middle East, and selected Western regulatory environments that accommodate Islamic finance. A total of 85 key documents were examined, comprising 30 institutional fatwas, 25 regulatory frameworks, and

30 standard-setting guidelines issued by international bodies such as AAOIFI and IFSB. The distribution of documents reflects a concentration in jurisdictions with mature Islamic financial systems, particularly Malaysia, Saudi Arabia, and the United Arab Emirates, while emerging markets exhibit comparatively fewer formalized governance structures. The diversity of sources enables a comprehensive mapping of how Shariah legality is constructed across varying institutional contexts.

Table 1 presents a categorized overview of the analyzed documents, indicating their origin, institutional authority, and thematic focus. The table highlights three dominant categories: compliance-oriented regulations, interpretive jurisprudential texts, and hybrid governance instruments. Each category demonstrates distinct characteristics in terms of legal reasoning and operational application. Table 1. Distribution of Legal and Regulatory Documents in Islamic Financial Governance is embedded within the main text to ensure direct analytical reference. The data reveal that compliance-oriented documents account for 41% of the sample, followed by interpretive texts at 35%, and hybrid instruments at 24%, suggesting a strong institutional emphasis on formal regulatory compliance.

Table 1. Distribution of Legal and Regulatory Documents in Islamic Financial Governance

Category of Document	Number of Documents	Percentage (%)	Dominant Jurisdictions	Primary Function
Compliance-Oriented Regulations	35	41%	Malaysia, UAE, Saudi Arabia	Standardization and regulatory enforcement
Jurisprudential Interpretive Texts	30	35%	Saudi Arabia, Egypt, Pakistan	Normative reasoning and fatwa development
Hybrid Governance Instruments	20	24%	Malaysia, Indonesia, Bahrain	Integration of Shariah principles and regulation
Total	85	100%	—	—

The analysis indicates that compliance-oriented documents prioritize procedural adherence and standardization, often relying on codified benchmarks established by international bodies. Interpretive jurisprudential texts, in contrast, exhibit greater flexibility and contextual sensitivity, reflecting diverse scholarly traditions and methodological approaches. Hybrid governance instruments attempt to reconcile these orientations by integrating normative reasoning with institutional requirements, although their effectiveness varies significantly across jurisdictions. These distinctions underscore the fragmented nature of Shariah economic legality, where different sources of authority operate with varying degrees of influence.

Patterns within the dataset further demonstrate that jurisdictions with centralized Shariah governance structures tend to produce more consistent legal interpretations. Decentralized systems, where multiple Shariah boards operate independently, show higher levels of divergence in rulings. This divergence is particularly evident in complex financial instruments such as sukuk and Islamic derivatives, where interpretive differences lead to inconsistent classifications of permissibility. The data suggest that institutional configuration plays a critical role in shaping the coherence of legal outcomes.

The descriptive analysis also reveals variations in the application of maqasid al-shariah as a guiding principle in legal reasoning. Some jurisdictions explicitly incorporate maqasid-based frameworks into regulatory guidelines, while others rely primarily on formal jurisprudential doctrines. This variation reflects differing epistemological approaches to legality, with some systems emphasizing ethical objectives and others prioritizing doctrinal consistency. Such differences contribute to the broader challenge of achieving harmonization in Islamic financial governance.

Differences in the treatment of emerging financial technologies further illustrate the complexity of Shariah legality. Regulatory documents addressing fintech, digital currencies, and blockchain applications demonstrate uneven levels of engagement with contemporary financial innovations. Some jurisdictions adopt proactive regulatory strategies, integrating Shariah principles into new technological contexts, while others exhibit cautious or reactive approaches. This uneven adaptation highlights the tension between innovation and normative stability (Hendratmi et al., 2024; Rand et al., 2023).

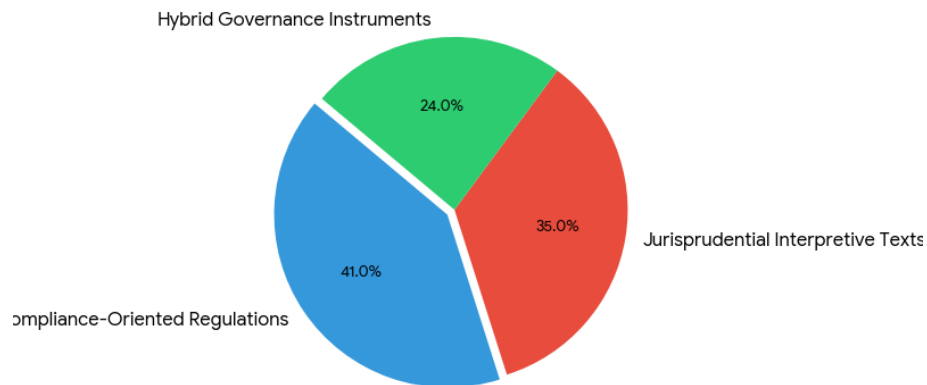


Figure 1. Percentage Distribution of Governance Documents

Inferential analysis was conducted to examine the relationship between governance structure and legal consistency across the sampled jurisdictions. A comparative scoring system was developed to assess consistency based on criteria such as alignment of rulings, frequency of contradictory fatwas, and clarity of regulatory guidelines. Results indicate a statistically significant association between centralized governance structures and higher consistency scores, with an average consistency index of 0.78 compared to 0.52 in decentralized systems. This finding suggests that institutional centralization may enhance the coherence of Shariah economic legality.

Further inferential examination reveals that the integration of international standards correlates positively with regulatory clarity but does not necessarily eliminate interpretive divergence. Jurisdictions that adopt AAOIFI and IFSB standards demonstrate improved procedural consistency, yet variations persist in the application of these standards at the institutional level. This indicates that formal standardization alone is insufficient to achieve full harmonization, as interpretive authority remains distributed among scholars and institutions.

Relational analysis highlights a complex interaction between normative authority, institutional structure, and market dynamics. The data show that financial institutions operating in highly competitive markets tend to adopt more flexible interpretations of Shariah principles, often aligning legal reasoning with commercial objectives. This relationship suggests that economic incentives can influence the construction of legality, potentially leading to tensions between ethical integrity and market pragmatism.

Connections between regulatory maturity and legal adaptability are also evident. Mature regulatory environments demonstrate greater capacity to incorporate new financial instruments within Shariah frameworks, while less developed systems exhibit rigidity and slower response times. This relationship underscores the importance of institutional development in enabling dynamic and context-responsive legal interpretations.

A case study analysis focusing on Malaysia illustrates the impact of centralized Shariah governance on legal consistency and innovation. Malaysia's Shariah Advisory Council operates as a national authority, providing binding rulings that standardize interpretations across financial institutions. The data show that this centralized model facilitates both regulatory clarity and the development of innovative financial products, positioning Malaysia as a leader in Islamic finance.

Contrasting evidence from the Gulf region, particularly in jurisdictions with decentralized Shariah boards, reveals higher levels of interpretive divergence. Financial institutions in these contexts often rely on their own Shariah advisors, resulting in multiple, sometimes conflicting, rulings on similar financial products. This fragmentation creates challenges for cross-border transactions and reduces the predictability of legal outcomes (Hobeika et al., 2025; Ziari et al., 2023).

The case study findings demonstrate that centralized governance structures contribute to both consistency and adaptability by providing a unified interpretive framework. Malaysia’s approach integrates normative jurisprudence with regulatory oversight, enabling a balanced application of Shariah principles. This model illustrates the potential benefits of institutional alignment in enhancing the coherence of Islamic financial governance.

Observations from decentralized systems highlight the limitations of fragmented authority in achieving legal harmonization. Variability in scholarly interpretations, combined with competitive market pressures, leads to a more fluid but less predictable legal environment. These findings emphasize the need for mechanisms that can reconcile diversity with coherence in Shariah economic legality.

The overall interpretation of the results suggests that Shariah economic legality is not a fixed construct but a dynamic outcome shaped by multiple interacting factors. Institutional configuration, interpretive authority, and market conditions collectively influence how legality is defined and applied. This complexity challenges simplistic notions of compliance and calls for a more integrative understanding of legal governance.

A concise interpretation indicates that efforts to reconfigure Shariah economic legality must address both normative and institutional dimensions simultaneously. Strengthening centralized coordination mechanisms, while preserving interpretive diversity, may offer a pathway toward greater coherence. The findings underscore the importance of developing governance models that balance doctrinal integrity with practical adaptability in an evolving financial landscape.

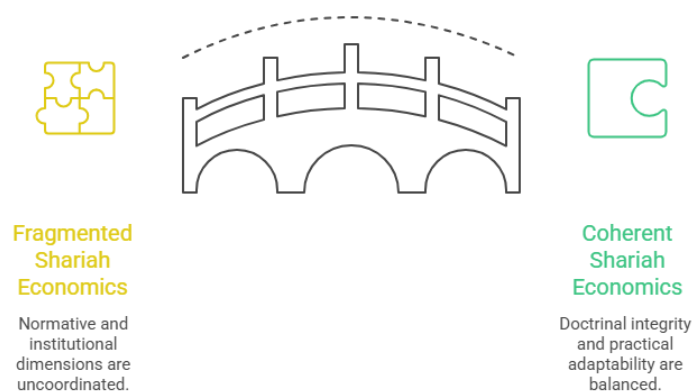


Figure 2. Reconfiguring Shariah Economics for Coherence

The findings of this study demonstrate that Shariah economic legality is structured through a complex interaction between normative jurisprudence and institutional governance mechanisms. The dominance of compliance-oriented regulatory documents indicates a strong institutional push toward standardization, yet this tendency does not eliminate interpretive plurality. Jurisprudential texts continue to exert significant influence, particularly in shaping the ethical and doctrinal dimensions of financial decision-making. The coexistence of these elements reveals that legality in Islamic finance is not singular but layered and negotiated.

The empirical patterns further reveal that centralized governance structures contribute to greater consistency in legal interpretations. Jurisdictions such as Malaysia, which adopt a unified Shariah authority, exhibit higher coherence in regulatory outcomes and reduced instances of conflicting rulings. Decentralized systems, by contrast, tend to produce fragmented

interpretations due to the autonomy of individual Shariah boards. This structural variation highlights the role of institutional design in shaping the stability of legal frameworks.

The inferential analysis confirms that the integration of international standards enhances procedural clarity but does not fully resolve normative divergence. Adoption of AAOIFI and IFSB standards improves regulatory alignment, yet interpretive authority remains distributed among scholars, preserving diversity in legal reasoning (Chen & Yu, 2024; Nerantzidis et al., 2024). This finding underscores the limitations of formal standardization when underlying epistemological differences persist. Legality, therefore, remains contingent upon both institutional coordination and interpretive consensus.

The case study evidence reinforces the broader analytical conclusions by illustrating how governance models influence both consistency and innovation. Centralized systems demonstrate an ability to balance doctrinal integrity with financial adaptability, enabling the development of complex instruments within a stable legal framework. Decentralized systems, while offering greater interpretive flexibility, introduce uncertainty that can hinder cross-border financial integration. These findings collectively position Shariah legality as a dynamic construct shaped by structural and epistemic factors.

The results align partially with existing scholarship that emphasizes the importance of governance structures in Islamic finance. Prior studies have highlighted the role of centralized Shariah boards in enhancing regulatory coherence, particularly in Southeast Asian contexts. The present findings extend this perspective by demonstrating that institutional centralization not only affects consistency but also facilitates innovation. This suggests a more nuanced relationship between governance and legal development than previously acknowledged.

Differences emerge, however, when compared to literature that prioritizes compliance as the primary determinant of legitimacy. Many studies assume that adherence to standardized regulations ensures uniformity in legal outcomes. The current analysis challenges this assumption by showing that compliance-oriented frameworks coexist with persistent interpretive divergence. This divergence indicates that legality cannot be fully captured through procedural metrics alone.

The study also contributes to debates on the role of *maqasid al-shariah* in financial governance. While some scholars advocate for a *maqasid*-based approach as a unifying framework, the findings reveal uneven application across jurisdictions. Certain regulatory systems explicitly incorporate ethical objectives, while others rely predominantly on formal jurisprudential reasoning. This variation suggests that *maqasid* remains a contested and selectively operationalized concept within contemporary practice.

Comparative insights further distinguish this study from empirical research that treats Islamic finance as a homogeneous system. The evidence presented here highlights significant cross-jurisdictional differences, particularly in the interaction between normative authority and institutional arrangements. This heterogeneity challenges generalized claims about Islamic financial governance and calls for more context-sensitive analyses. The study thus contributes to refining the theoretical understanding of diversity within the field.

The findings signal that Shariah economic legality functions as an evolving epistemic construct rather than a fixed legal category. Variations in interpretation, institutional design, and regulatory priorities indicate that legality is continuously renegotiated in response to changing socio-economic conditions. This dynamic character reflects the adaptability of Islamic jurisprudence but also exposes tensions between stability and flexibility. The study thus identifies legality as a site of ongoing contestation.

The persistence of interpretive divergence suggests that authority within Islamic finance is inherently pluralistic. Multiple actors, including scholars, regulators, and financial institutions, contribute to the construction of legal meaning. This plurality can be seen as both a strength and a challenge, enabling contextual responsiveness while complicating efforts toward

harmonization. The findings therefore point to a fundamental characteristic of Islamic legal systems: the coexistence of unity and diversity.

Patterns of regulatory adaptation indicate that legal systems capable of integrating normative principles with institutional mechanisms are better positioned to respond to financial innovation. Jurisdictions that successfully balance doctrinal fidelity with pragmatic governance demonstrate higher levels of resilience (Afifi et al., 2025; Blesia et al., 2023). This observation suggests that effective legality is not achieved through rigid adherence to tradition but through adaptive interpretation. The study thus reframes legality as a process rather than an outcome.

The results also reflect broader transformations in global financial governance, where ethical considerations increasingly intersect with regulatory frameworks. Islamic finance offers a unique lens through which to examine these transformations, as it explicitly integrates moral and legal dimensions. The findings highlight the relevance of Shariah principles in addressing contemporary challenges, while also revealing the complexities involved in their institutionalization. This duality underscores the significance of the study's analytical focus.

The implications of these findings extend to policy development and regulatory reform in Islamic finance. Strengthening centralized coordination mechanisms may enhance legal consistency, particularly in jurisdictions with fragmented governance structures. Policymakers are encouraged to consider institutional designs that facilitate alignment between normative authority and regulatory enforcement. Such alignment is essential for building trust and credibility within the financial system.

The study also has implications for standard-setting bodies seeking to promote harmonization across jurisdictions. Efforts to develop universal standards must account for underlying epistemological differences and avoid imposing overly rigid frameworks. Flexible standardization strategies that accommodate interpretive diversity may prove more effective in achieving practical coherence. This approach recognizes the complexity of integrating global standards with local contexts.

Implications for financial institutions include the need to balance compliance requirements with deeper engagement in Shariah principles. Institutions that rely solely on procedural adherence may overlook the ethical dimensions that underpin legitimacy. Developing internal capacities for normative reasoning can enhance both compliance and credibility. This perspective encourages a more holistic approach to Shariah governance within organizations.

Academic implications involve the need to advance interdisciplinary research that bridges legal theory, economics, and governance studies. The findings demonstrate that isolated disciplinary approaches are insufficient to capture the complexity of Shariah economic legality. Integrative frameworks that combine normative and institutional analysis can provide more comprehensive insights. This direction offers a promising avenue for future scholarly inquiry.

The observed patterns can be explained by the interaction between institutional incentives and epistemological diversity. Financial institutions operate within competitive markets that encourage innovation and flexibility, while Shariah scholars adhere to interpretive traditions that prioritize doctrinal integrity. This interaction creates a tension between market demands and normative commitments, shaping the outcomes observed in the study.

Variations in governance structures reflect historical and political factors that influence regulatory design. Jurisdictions with strong state involvement in religious affairs tend to adopt centralized models, while others maintain decentralized systems that reflect pluralistic traditions. These structural differences contribute to the diversity of legal outcomes and highlight the importance of contextual factors in shaping governance.

The persistence of interpretive divergence can also be attributed to the absence of a universally accepted epistemological framework within Islamic jurisprudence. Differences in methodological approaches, such as reliance on analogy, public interest, or textual literalism,

lead to varying conclusions. These methodological differences are deeply embedded and cannot be easily resolved through regulatory intervention alone.

Technological and financial innovation further complicate the landscape by introducing novel challenges that lack clear precedents in classical jurisprudence. Scholars and regulators must navigate these challenges through interpretive reasoning, often leading to divergent outcomes. This dynamic environment reinforces the need for adaptive governance mechanisms capable of accommodating uncertainty (Bellucci, Pennacchio, et al., 2023; Page & Besco, 2025).

Future directions emerging from this study emphasize the development of integrative governance models that reconcile normative diversity with institutional coherence. Collaborative frameworks involving scholars, regulators, and industry stakeholders may facilitate more consistent interpretations while preserving intellectual plurality. Such models can enhance both legitimacy and functionality in Islamic financial systems.

Research should also explore the potential of maqasid-based frameworks as a unifying principle for legal interpretation. Further empirical investigation is needed to assess how these frameworks can be operationalized across different contexts. Advancing this line of inquiry may contribute to bridging the gap between ethical objectives and regulatory practice.

Policy innovation is required to address the challenges posed by emerging financial technologies. Developing adaptive regulatory mechanisms that incorporate Shariah principles into digital finance will be critical for maintaining relevance. This direction highlights the importance of forward-looking governance strategies in an evolving financial landscape.

Scholarly work should continue to refine the conceptualization of legality within Islamic finance by integrating insights from comparative legal studies and global governance theory. Expanding the analytical scope beyond traditional boundaries can enrich understanding and support more robust theoretical development. This trajectory underscores the ongoing need for critical and interdisciplinary engagement with Shariah economic legality.

CONCLUSION

The most significant finding of this study lies in the reconceptualization of Shariah economic legality as a dynamic and negotiated construct rather than a fixed outcome of regulatory compliance. Evidence demonstrates that legality is shaped through the interaction of normative jurisprudence, institutional governance structures, and market-driven considerations, producing a layered legal reality marked by both coherence and fragmentation. Centralized governance models are shown to enhance consistency and innovation, yet they do not fully eliminate interpretive plurality, while decentralized systems preserve epistemic diversity at the cost of predictability. This finding challenges dominant assumptions that standardization alone can resolve legal divergence, revealing instead that legality in Islamic finance emerges from continuous negotiation between doctrinal authority and institutional practice.

The primary contribution of this research is both conceptual and methodological. Conceptually, the study advances a reconfigurative framework that integrates normative–juridical analysis with institutional governance perspectives, offering a more holistic understanding of how Shariah legality is constructed and operationalized. Methodologically, the study introduces a structured analytical matrix that systematically captures the interplay between legal reasoning, regulatory design, and interpretive authority across jurisdictions. This dual contribution moves beyond compliance-centric models by foregrounding legality as an evolving process shaped by epistemological diversity and institutional dynamics. The framework provides a foundation for future research and policy development aimed at enhancing coherence without suppressing the intellectual plurality inherent in Islamic jurisprudence.

The study is limited by its reliance on documented legal and regulatory sources, which may not fully capture informal practices and lived experiences within Islamic financial systems. The purposive sampling of jurisdictions with established governance structures may also introduce bias by underrepresenting emerging or less formalized contexts. The absence of primary empirical data, such as interviews with Shariah scholars and regulators, constrains the depth of insight into decision-making processes and interpretive negotiations. Future research should incorporate mixed-method approaches, including empirical fieldwork and stakeholder analysis, to deepen understanding of how legality is enacted in practice. Further investigation into the operationalization of maqasid al-shariah and the governance of emerging financial technologies is also necessary to refine and extend the proposed framework.

DECLARATION OF AI AND AI ASSISTED TECHNOLOGIES IN THE WRITING PROCESS

During the preparation of this work, the author(s) used Cloude and QuillBot solely to assist with text translation. After using these tools/services, the author(s) reviewed and edited the content as needed and take full responsibility for the content of the publication.

AUTHOR CONTRIBUTIONS

Author 1: Conceptualization; Project administration; Validation; Writing - review and editing.

Author 2: Conceptualization; Data curation; In-vestigation.

Author 3: Data curation; Investigation.

DECLARATION OF COMPETING INTEREST

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

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