

SHARIA GOVERNANCE AND THE CHALLENGES OF SYSTEMIC FINANCING RISK: A CRITICAL ANALYSIS OF THE DYNAMICS OF DSN-MUI FATWAS

Asep Hedi Turmudi¹; Syaifuddin²; Rusmiyanti Wontami³; Samad Umarama⁴;
Abu Sanmas⁵

^{1,2,4,5} Institut Agama Islam Negeri Ternate, Indonesia; ³ Madrasah Aliyah Negeri 1 Ternate, Indonesia

Email: ¹asepht76@iain-ternate.ac.id; ²ifudsyby@iain-ternate.ac.id; ³umiisty6@gmail.com;

⁴samadumarama@iain-ternate.ac.id; ⁵busanmas@iain-ternate.ac.id

ABSTRACT

Indonesia's Islamic finance industry faces a new challenge when the DSN-MUI fatwa, as a normative guideline, must be translated into the bank's evolving policies and operational practices. This study aims to understand how sharia actors—DSN, DPS, regulators, and bank management—experience, interpret, and manage the dynamics of fatwas in the context of systemic financing risk. Using a grounded theory approach with an emphasis on subjective experience, data is collected through in-depth interviews and observations to capture the meanings, perceptions, and dilemmas experienced by stakeholders. The findings show that the fatwa translation process is a complex social experience, characterized by negotiations of religious understanding, time asynchrony between financial innovation and fatwa response, and the interpretive burden felt by industry players when faced with regulatory gray areas. Actors portray fatwas as a guideline that gives direction, but at the same time a source of uncertainty when its application is not uniform. These dynamics shape risk vulnerabilities that are not only technical, but also psychological and institutional. This research emphasizes the importance of more responsive fatwa communication, increasing the capacity of sharia governance, and strengthening risk mitigation mechanisms based on understanding the experiences of industry players. Overall, the study provides a new perspective on how fatwas work in practice and how those dynamics affect the stability of the Islamic financial system.

Keywords : *Sharia Governance; Systemic Financing Risk; Critical Analysis; Dynamics of DSN-MUI Fatwas*

ABSTRAK

Industri keuangan syariah Indonesia menghadapi tantangan baru ketika fatwa DSN-MUI, sebagai pedoman normatif, harus diterjemahkan ke dalam kebijakan dan praktik operasional bank yang terus berkembang. Penelitian ini bertujuan untuk memahami bagaimana pelaku syariah—DSN, DPS, regulator, dan manajemen bank—mengalami, menafsirkan, dan mengelola dinamika fatwa dalam konteks risiko pembiayaan sistemik. Dengan menggunakan pendekatan teori yang membenturkan dengan penekanan pada pengalaman subjektif, data dikumpulkan melalui wawancara dan observasi mendalam untuk menangkap makna, persepsi, dan dilema yang dialami oleh pemangku kepentingan. Temuan menunjukkan bahwa proses penerjemahan fatwa merupakan pengalaman sosial yang kompleks, ditandai dengan negosiasi pemahaman agama, asinkronisasi waktu antara inovasi keuangan dan respons fatwa, serta beban interpretasi yang dirasakan oleh pelaku industri ketika dihadapkan pada area abu-abu regulasi. Aktor menggambarkan fatwa sebagai pedoman yang memberikan arahan, tetapi pada saat yang sama menjadi sumber ketidakpastian ketika penerapannya tidak seragam. Dinamika ini membentuk kerentanan risiko yang tidak hanya bersifat teknis, tetapi juga psikologis dan institusional. Penelitian ini menekankan pentingnya komunikasi fatwa yang lebih responsif, peningkatan kapasitas tata kelola syariah, dan mekanisme mitigasi risiko Teori Grounded berdasarakan pemahaman pengalaman pelaku industri. Secara keseluruhan, penelitian ini memberikan perspektif baru tentang bagaimana fatwa bekerja dalam praktik dan bagaimana dinamika tersebut mempengaruhi stabilitas sistem keuangan Islam.

Kata Kunci : *Tata Kelola Syariah; Risiko Pembiayaan Sistemik; Analisis Kritis; Dinamika Fatwa DSN-MUI*

INTRODUCTION

In the Islamic banking ecosystem, sharia governance occupies a strategic and foundational role in ensuring the integrity, credibility, and sustainability of the industry. Unlike conventional banking, which is primarily regulated through financial prudence, risk management frameworks, and legal compliance, Islamic banking operates within a dual regulatory architecture: one grounded in financial regulation and another rooted in religious-ethical principles derived from Islamic jurisprudence (*fiqh al-muamalah*). This duality places sharia governance at the core of institutional decision-making, shaping not only product structures but also risk behavior, organizational culture, and accountability mechanisms. (Hendra et al., 2025)

A central pillar of sharia governance in Indonesia is the fatwa issued by the National Sharia Council of the Indonesian Ulema Council (Dewan Syariah Nasional - Majelis Ulama Indonesia, DSN-MUI). These fatwas function as authoritative normative references that guide Islamic financial institutions in designing products, structuring contracts, and conducting business operations in compliance with Islamic law. More than merely legal opinions, DSN-MUI fatwas serve as quasi-regulatory instruments that bridge classical Islamic jurisprudence with contemporary financial practices. They provide religious legitimacy to modern financial innovations while attempting to preserve the ethical spirit of Islamic economics (Mustofa, 2023).

However, the increasing complexity of the Islamic finance industry—marked by financial digitalization, product diversification, and integration with global markets—has introduced new challenges to the effectiveness of fatwa-based governance. While DSN-MUI fatwas are designed to prevent *riba* (usury), *gharar* (excessive uncertainty), and *maysir* (speculation), their practical implementation within modern banking structures is not always straightforward. The interpretation of fatwas, institutional readiness, and alignment between sharia boards and management create a dynamic governance landscape that can either mitigate or inadvertently amplify financing risks. (Baidhowi et al., 2023)

Islamic financing instruments are theoretically designed to be more resilient than conventional debt-based financing due to their emphasis on real economic activities, risk-sharing partnerships, and asset-backed transactions. Instruments such as *musharakah* (equity partnership), *mudharabah* (profit-sharing), *murabahah* (cost-plus sale), and *ijarah* (leasing) are rooted in real asset engagement rather than speculative financial engineering. In theory, this structure should reduce systemic risk by linking financial flows to productive economic

activities and distributing risk more equitably between financiers and entrepreneurs (Gündoğdu & İçen, 2025a).

Nevertheless, in practice, many Islamic banks have leaned heavily toward *murabahah* contracts, which resemble conventional credit arrangements in risk profile despite being sharia-compliant in form. This dominance of debt-like financing instruments suggests a gap between the normative ideals of Islamic finance and its operational reality. Such tendencies raise concerns that Islamic banks may be exposed to similar vulnerabilities as conventional banks, including credit concentration risk, liquidity mismatch, and moral hazard (Gündoğdu & İçen, 2025b).

The role of DSN-MUI fatwas in shaping these financing patterns is therefore crucial. On one hand, fatwas aim to preserve the ethical foundations of Islamic finance; on the other hand, their interpretation and application can be influenced by market pressures, regulatory constraints, and institutional preferences. Islamic banks may prioritize profitability and stability over deeper adherence to risk-sharing principles, leading to a governance paradox: formal sharia compliance without substantive risk transformation (Hamid, 2018).

This paradox becomes particularly evident when examining financing risk from a systemic perspective. Systemic risk refers to the potential for financial distress in one institution to spread across the broader financial system, threatening economic stability. In Islamic banking, systemic risk can emerge through interconnected financing networks, concentration in particular sectors, and uniform reliance on similar contract structures. If many banks adopt comparable interpretations of fatwas that favor low-risk but debt-like instruments, the entire sector may become vulnerable to synchronized shocks. (M. Ibrahim, 2023)

Moreover, the translation of DSN-MUI fatwas into internal bank policies involves multiple layers of governance, including Sharia Supervisory Boards (Dewan Pengawas Syariah, DPS), management committees, and risk departments. Each layer introduces potential inconsistencies or misalignments. DPS members may face conflicts between religious principles and commercial objectives, while management may prioritize financial performance over deeper ethical compliance. Such tensions can weaken the effectiveness of sharia governance in controlling financing risks (Usman, 2022a).

Another critical issue lies in the readiness of risk management infrastructure within Islamic banks. While conventional banks have long-established frameworks for credit risk, market risk, and operational risk, Islamic banks must adapt these frameworks to

accommodate sharia-based contracts. For instance, musharakah financing requires more intensive monitoring of business performance, while murabahah financing entails asset ownership and transfer complexities. Inadequate risk assessment tools or insufficient staff expertise can lead to hidden vulnerabilities that accumulate over time (Sardar & Iqbal, 2023).

Furthermore, the dynamic nature of DSN-MUI fatwas presents both opportunities and challenges. On the one hand, the ability to issue new fatwas allows Islamic finance to remain responsive to technological innovation, such as fintech, digital banking, and blockchain-based finance. On the other hand, frequent changes or ambiguities in fatwa interpretations may create uncertainty among practitioners, leading to inconsistent practices across institutions.

The relationship between sharia governance and systemic financing risk thus requires deeper analytical attention. Rather than viewing fatwas merely as compliance checklists, they should be understood as governance mechanisms that shape institutional behavior, risk appetite, and market structure. When effectively implemented, fatwas can encourage responsible financing, equitable risk-sharing, and long-term economic development. However, when applied superficially, they may legitimize practices that replicate conventional banking risks under an Islamic label.

A critical dimension of this issue is the interaction between DSN-MUI fatwas and state financial regulation. In Indonesia, Islamic banking is supervised by both religious authorities and the Financial Services Authority (OJK). While OJK focuses on financial stability, consumer protection, and prudential regulation, DSN-MUI emphasizes religious compliance. The coordination—or lack thereof—between these two bodies significantly influences systemic risk outcomes (Hartini et al., 2025).

Ideally, sharia governance should complement financial regulation by embedding ethical constraints into risk-taking behavior. For example, prohibiting speculative transactions should reduce market volatility, while promoting profit-sharing should align incentives between banks and entrepreneurs. However, if regulatory frameworks prioritize financial performance over ethical substance, Islamic banks may converge toward conventional practices, diluting the distinctiveness of Islamic finance (Ayub et al., 2023).

Another layer of complexity arises from the global integration of Islamic finance. Indonesian Islamic banks are not isolated; they participate in international markets, interact with foreign institutions, and adopt global standards such as those issued by AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions). Differences

between local fatwas and international standards can create governance fragmentation, complicating risk management strategies (Karimah, 2022).

Additionally, the public perception of Islamic banking plays a role in systemic stability. Trust is a fundamental asset in Islamic finance, as customers often choose Islamic banks not only for financial reasons but also for religious conviction. If stakeholders perceive inconsistencies between fatwas and actual practices, reputational risk may escalate into financial risk through mass withdrawals or declining market confidence (Haddou & Mkhinini, 2022).

This article therefore adopts a critical approach to examining how DSN-MUI fatwas are formulated, interpreted, and operationalized within Islamic banking institutions. It seeks to explore whether current governance mechanisms effectively mitigate systemic financing risks or whether they unintentionally reinforce them. By analyzing the interaction between religious norms, institutional practices, and market dynamics, the study aims to provide a more nuanced understanding of Islamic financial stability.

Methodologically, such an analysis would benefit from a multidisciplinary perspective combining Islamic jurisprudence, financial economics, and governance theory. Qualitative case studies of selected Islamic banks, interviews with DPS members, and comparative analysis of fatwa implementation across institutions could offer valuable insights into governance effectiveness.

Furthermore, the paper argues that strengthening sharia governance requires not only issuing more fatwas but also improving institutional capacity, enhancing risk infrastructure, and fostering deeper alignment between religious principles and business strategies. This includes training bank staff in Islamic finance ethics, developing sharia-compliant risk models, and encouraging greater use of genuine risk-sharing instruments (Grassa, 2015).

Ultimately, the goal is to ensure that Islamic banking fulfills its promise as a more just, stable, and socially responsible financial system. By critically examining the role of DSN-MUI fatwas and governance mechanisms, this study seeks to contribute to ongoing debates about the future of Islamic finance in Indonesia and beyond.

In conclusion, while Islamic financing instruments theoretically offer greater resilience to economic shocks, their real-world effectiveness depends heavily on the quality of sharia governance. The dynamic interplay between fatwa formulation, institutional implementation, and systemic risk management determines whether Islamic banking

remains a meaningful alternative to conventional finance or simply a religiously rebranded version of it.

This article invites policymakers, scholars, and practitioners to reflect on how sharia governance can be strengthened to better control financing risks while preserving the ethical spirit of Islamic economics. By doing so, Islamic banking can move beyond formal compliance toward substantive transformation of financial practices in line with *maqasid al-sharia* (objectives of Islamic law).

RESEARCH METHOD

In this study, grounded theory, a qualitative approach that aims to produce new theories that are directly rooted in field data, is used. For the context of this study, it identifies the mechanism of sharia governance in the practice of LKS and regulators, understands how DSN-MUI fatwas is produced, interpreted, and implemented, and maps systemic financing risks arising from regulatory loopholes, harmonization of fatwas, or operational dynamics of LKS (Syarifuddin, 2019).

This approach is ideal because this issue does not yet have an established theory, so the excavation of empirical data allows the birth of a truly grounded theory. The purpose of using grounded theory is to develop a substantive theory on how sharia governance works in managing systemic financing risks related to the dynamics of the DSN-MUI fatwa. Paradigm: Constructivist Grounded Theory (Charmaz) or Grounded Theory Straussian (Strauss & Corbin) (Mills et al., 2006; Muhaiyuddin et al., 2016).

The use of Straussian Grounded Theory is more recommended because it is more structural and suitable for regulation/institutions. Final product: A theoretical model that explains the relationship between: the dynamics of DSN-MUI fatwa, the internal sharia governance of the LKS, the response of regulators (OJK/BI), and the formation of systemic financing risks.

Selecting the most relevant informants to governance and fatwa issues. Heoretical Sampling (main) The recruitment of new informants is determined by the needs of the theory that is being formed, not by the number. Potential Participants: Members of DSN-MUI (related to the *istinbat* and fatwa process), Sharia Supervisory Board (DPS) in various LKS, OJK/BI Officials related to sharia regulation & supervision, LKS risk management practitioners (risk management, compliance), academics specializing in sharia economic law.

Data Collection Techniques, Interviews are conducted in a semi-structured manner

to allow for an in-depth exploration of participants' experiences, perceptions, and interpretations. Interview question types include: Descriptive questions, Experiential questions, Reflective questions, and Interpretive questions and The documents analyzed include regulations, fatwas, minutes of fatwa discussion meetings, minutes of daily meetings of DSN-MUI and other relevant documents

Data analysis was carried out thematically by following multi-level coding stages: a. Open Coding. At this stage, the raw data from interview transcripts and field notes are broken down into units of meaning. The initial code includes themes such as budget certainty, project sustainability, Sharia compliance, and regional connectivity. b. Axial Coding. The initial codes are then grouped based on causal and conceptual relationships. For example, the theme of budget certainty is associated with multi-year contracts and fiscal discipline. c. Selective Coding This stage produces a core category that integrates all findings, such as SBSN as a governance-based Islamic public finance instrument. This category is the main narrative in the discussion of research results.

The validity of the data is maintained through the following strategies: a. Triangulation. Source triangulation: comparing data from officials, project implementers, and the community. Triangulation method: combining interviews, observations, and documentation. Theoretical triangulation: comparing the findings with public finance theory and Islamic public finance. b. Member Checking The summary of the interview results is reconfirmed to the participant to ensure the accuracy of the interpretation. c. Audit Trail. The entire research process is documented systematically, starting from design, data collection, to analysis. d. Reflexivity. Researchers consciously reflect on positions, assumptions, and potential biases during the research process (Syaifuddin, 2018a).

FINDINGS AND DISCUSSION

Many studies and reports show that DSN-MUI fatwa plays a central role in shaping Islamic banking practices, but fatwas are not automatically binding on state law, so that dualism arises between religious fatwa and state regulations (OJK, positive law). This ambiguity can lead to legal uncertainty that impacts financing practices and potential systemic risks if different actors interpret sharia compliance differently (Afrelian et al., 2018). Islamic fintech's, new investment products (Islamic ETFs, tokenization), and digital services are emerging quickly; there is evidence that fatwas need to adapt but the *istinbath* process is sometimes slow or reactive, leaving regulatory and practice gaps that could increase systemic

risk exposure. Studies on how DSN-MUI handles digital innovation are still limited (Banna, 2025).

Bibliometric research and legal studies show the diversity of legal sources, *ijtihad* methodologies, and the backgrounds of DSN members that influence the content of fatwas. There have not been many qualitative studies that examine how epistemic differences (*mazhab*, academic/practical background) produce fatwa inconsistencies that can confuse market participants. There is a gap between fatwa disposition and prudential implementation in banks: how fatwas are internalized in underwriting, risk management, capital adequacy measurement, and provisioning has not been qualitatively documented. Misalignments can give rise to financing practices that are collectively risky (Islam, 2020).

Fatwas also function as a market signal (legitimacy/prohibition). The impact of fatwas on the behavior of depositors, investors, or donors (e.g., ZISWAF funds)—including the potential for panic or massive fund withdrawals—has not been studied in depth from a qualitative perspective (public narrative, media, community). This potential signaling effect has implications for systemic liquidity risk (Zein, 2018).

So far, there has been no research that has conducted an in-depth phenomenological exploration of how DSN-MUI members subjectively understand, interpret, and construct meaning on contemporary economic issues when formulating fatwas. Most studies only analyze the results of fatwas—not the mental, epistemic, and social processes that occur during the formulation of fatwas. Develop a new theory of sharia reasoning styles on systemic risk issues. The results of this research will later be able to provide input for DSN-MUI to design a deliberation mechanism that is more responsive to financing risks and market disruptions (Shufiah, 2023).

There is not much research that traces how fatwas is translated into: financing policies, risk mitigation, internal SOPs of Islamic banks, risk scoring parameters, and sharia audit practices. Therefore, this article will try to produce a new theoretical model of the translation of risk governance fatwa. Provide operational recommendations for banks to ensure fatwas actually strengthen the risk mitigation system, not the other way around (Mujib, n.d.).

There is a big gap in understanding the process of translation, adaptation, and negotiation of the meaning of fatwa in the field. Although the literature mentions the dualism of sharia-state regulation, there has been no qualitative research that explores the epistemic tensions experienced by: regulators of OJK/BI, DPS/DSN, bank management and market

participants. This epistemic tension influences regulatory uncertainty, which can trigger systemic risks. This search made it possible to give birth to a new theory of Sharia Epistemic Governance, namely how various legal sources are negotiated in economic decisions. Providing input to align fatwas with prudential regulations so that fatwas are often seen only as normative rules, even though they also function as psychological signals of the market. But the psychological impact of fatwas, for example, on: depositors' risk perceptions, investor behavior, trust collapse, rush withdrawals have hardly been studied in depth through qualitative methods (Abdullah, 2019).

His scientific & practical contributions resulted in a Shariah Psychological Signaling model that explains how fatwas affect market stability. Provide fatwa communication guidelines to prevent psychological contingency in the Islamic financial system, reducing potential systemic risks. So far, sharia governance has been relatively reactive to fintech innovation (P2P, crypto, asset tokenization). There is no qualitative framework that maps how DSN-MUI can respond to innovation quickly and adaptively, without losing sharia principles. The contribution of improvement that can be provided produces a grounded theory about adaptive fatwa governance in the digital era, providing a blueprint for Islamic institutions in the face of rapid technological changes, so that systemic risks from fintech can be suppressed (Widyastuti et al., 2020).

The initial literature highlights the determinants of capital adequacy (CAR) as a fundamental indicator of the stability of Islamic banks (Abusharba et al., 2013a). show that asset quality, management efficiency, and financing risk greatly affect the CAR of Islamic banks in Indonesia. (Smaoui et al., 2020a) and (Bitar et al., 2018a) strengthen these findings by adding governance dimensions and macro conditions that make the capital decisions of Islamic banks more conservative than conventional banks. These studies conclude that the capital structure of Islamic banks is strongly influenced by risk-sharing-based business models, so that capital needs are more sensitive to financing volatility. This literature is important to understand how the DSN-MUI fatwa that regulates financing contracts plays a role in determining the risk exposure of Islamic banks (Abusharba et al., 2013b; Bitar et al., 2018b; Smaoui et al., 2020b).

Political Risks and Resilience of the Islamic Banking System

Research on the relationship between political risk and stability of Islamic banks has received great attention. Belkhir and Bitar found that Islamic banks tend to be more resilient

to political instability due to the real asset-based contract model and the imperative of sharia compliance. Political stability affects the quality of financing, liquidity pressures, and systemic risk structure. Strong governance improves oversight and compliance thereby minimizing the risk of problematic financing. This literature also emphasizes that sharia governance—including the reference to the DSN-MUI fatwa—helps Islamic banks maintain resilience in the face of external uncertainty (Belkhir et al., 2019; Bitar et al., 2017a).

A number of studies highlight the determinants of non-performing financing in Islamic banks. Fianto et al. found that customer characteristics, monitoring mechanisms, and contract structures are the main determinants of NPF in Islamic microfinance institutions. Havidz & Setiawan prove that operational efficiency is negatively correlated with NPF, confirming the importance of efficiency in risk control. Warninda et al. examined profit-sharing financing such as *mudharabah* and *musyarakah*, and found that profit-sharing-based contracts have a higher risk of moral hazard, so banks tend to be cautious. This literature is relevant because it shows that the design of contracts stipulated through sharia fatwas has direct consequences on the level of financing risk (Fianto et al., 2019; Havidz & Setiawan, 2015; Warninda et al., 2019).

Liquidity Risk and the Effect of Interest Rates on Sharia Instruments

The study on liquidity risk shows that Islamic banks face unique challenges due to the limitations of Islamic liquid instruments. Rahman & Banna show that Islamic banks in Bangladesh are more sensitive to liquidity pressures than conventional banks. Saho et al. alluded that changes in interest rates still affect sharia financing due to the existence of conventional benchmarks (rate-of-return risk). Zainol & Kassim also conclude that Islamic banks are not completely free from the risk of interest rate indexation. This literature is important to explain the context of why DSN-MUI continues to update fatwas related to benchmark pricing and financing contracts (Rahman & Banna, 2016; Šeho et al., 2020; Zainol & Kassim, 2010).

The performance study of Islamic banks discusses a lot of management efficiency and the implications of Islamic contracts on the cost structure. Othman et al. assessed that partnership-based financing increases long-term efficiency despite having high monitoring costs. Rozzani & Rahman show that the performance of Islamic banks compared to conventional banks tends to be stable from the perspective of CAMELS. Meanwhile, Syafii et al. (2012) through the Maqashid Sharia Index assessed that sharia performance is not solely

financial efficiency but also compliance with sharia goals. The three literature corroborates that sharia efficiency must be understood as an integration between sharia compliance and operational effectiveness (Antonio et al., 2012; Othman et al., 2017; Rozzani & Rahman, 2013).

The literature discusses the determinants of deposits, customer behavior, and market structures that affect financing stability. Kasri & Kassim show that the decision to save in Islamic banks is not only influenced by economic factors but also religiosity. Meslier et al. emphasized that competition between Islamic and conventional banks affects the determination of ratios and profit-sharing rates. Syaifuddin reinforces this in the context of Nahdliyin customers who consider religious values as the main factor. This literature supports that sharia governance is not only an internal mechanism but also an external perception of the public towards the credibility of the DSN-MUI fatwa (Ahmad, 2021; Harly & Syaifuddin, 2021; Kasri & Kassim, 2009; Meslier et al., 2017; Syaifuddin, 2018).

Duqi et al. examine how ownership structures affect the dividend policies of Islamic and conventional banks. Islamic banks tend to hold larger profits to maintain capital and meet the principle of prudence. Sorwar et al. confirmed that Islamic banks generally have lower risk—a result of a strict governance structure. Bitar et al. also emphasized that the capital decisions of Islamic banks are greatly influenced by Islamic accountability. This governance theme is important to connect international literature with the role of DSN-MUI as a fatwa authority that influences the national sharia supervision structure (Bitar et al., 2017b; Duqi et al., 2020; Sorwar et al., 2016).

MSME Financing, Diversification, and Economic Growth

Yazdan & Hossein found a positive relationship between sharia financing and economic growth in Iran and Indonesia. Shaban et al. show that Islamic banks are more willing to finance small businesses due to asset-based mechanisms. Sobarsyah et al. added that the growth of loan disbursement increases risk but can be controlled if the bank has sufficient capital. This literature shows the strategic role of Islamic banks in economic development, so that the arrangement of contracts through the DSN-MUI fatwa also has an impact on the sustainability of productive sector financing (Shaban et al., 2014; Sobarsyah et al., 2020; Yazdan & Hossein, 2012).

DSN-MUI Fatwa, Sharia Compliance, and Transformation of Banking Practices

The national literature group shows that the DSN-MUI fatwa has a significant influence in shaping the bank's compliance structure. Abdul Muiz, Usman, and Fakhrina &

Hamid) confirm that fatwas not only serve as a legal guideline but also as economic legitimacy for the Islamic banking industry (Fakhrina & Hamid, 2025; Muiz, 2024; Usman, 2022b) Furqon (2025) assesses that the application of sharia maqashid in fatwa improves the ethical orientation of banks. The Worldview and Solihin & Akbar studies show that fatwas also play a role in new instruments such as digital banking and Islamic ETFs. This literacy shows the dynamics of fatwa-based policy transformation as the foundation of sharia governance (Furqon, 2025; Prihatanti & Ritonga, 2025; Solihin & Akbar, 2025).

Recent Indonesian literature that discusses risk management in a sharia perspective shows an increasing integration between fatwa provisions, sharia economic law, and banking practices. Styawati emphasized that the complexity of risk demands stronger governance adaptation (Styawati, 2024) Hidayati & Hidayatullah and Azharsyah & Salam show that many financing risks arise due to inaccuracies in the implementation of fatwas in practice (Hidayati & Hidayatullah, 2021; A. Ibrahim & Salam, 2021) corroborate this in the context of fintech, showing that fatwa compliance affects data sovereignty and digital transaction mechanisms.

The latest literature from Putro, Sifa, and colleagues combines aspects of risk, sharia human resources, and fatwa implementation to form a complete picture of modern sharia governance. This summary shows that the integration between DSN-MUI fatwa, regulations, and operational practices is key in mitigating systemic financing risks (Putro et al., 2025; Sifa & Syakur, 2025).

DISCUSSION

The Relationship between Fatwa Dynamics and Financial Risk Management

In the financial risk management literature, systemic risk is generally studied in the context of the conventional financial system, with an emphasis on interinstitutional linkages, contagion effects, and macroprudential stability. Similar studies in the Islamic financial system are still relatively limited and often adopt conventional approaches without adequate conceptual adjustments to the characteristics of sharia contracts and principles. As a result, the understanding of systemic financing risks from a sharia perspective is still partial and has not been integrated with the sharia governance framework comprehensively (Hamid & Rohmaningtyas, 2024).

The DSN-MUI fatwa as the main normative reference source in Islamic finance practices in Indonesia has a strategic role in shaping product design, financing schemes, and risk management practices of Islamic financial institutions. However, the research that

examines the DSN-MUI fatwa generally focuses on aspects of fiqh muamalah, the validity of the contract, and the suitability of sharia postulates, without directly linking them to the systemic implications for financing stability and collective risk in the sharia finance industry.

In addition, the dynamics of changes and adjustments to the DSN-MUI fatwa along with the development of modern financial products have not been widely analyzed from the perspective of sharia governance. Fatwas are often understood as static norms, whereas in practice fatwas have evolved influenced by market pressures, product innovation, and industry needs. Research gaps arise when these dynamics have not been critically examined in relation to the potential accumulation of systemic financing risks.

Previous studies have also tended to separate the study of sharia governance and risk management, so that the two are treated as two independent domains. In fact, in the Islamic financial system, normative decisions made through fatwas have direct implications for the financing risk structure. The absence of this integrative approach creates a void of analysis of how sharia governance, through fatwa mechanisms, contributes to the mitigation or amplification of systemic risks.

From the methodological side, the study of DSN-MUI fatwa and sharia governance generally uses a juridical-normative or qualitative descriptive approach that is limited to text analysis. This approach has not fully captured the complexity of the interaction between sharia norms, industry practices, and financing risk dynamics on a systemic scale. Therefore, there is a need for a more critical and contextual analytical approach to uncover these linkages.

The research gap is also seen in the lack of studies that evaluate the effectiveness of the DSN-MUI fatwa as a governance instrument in responding to systemic financing risks, especially in crisis conditions or economic stress. Most studies have not examined the extent to which fatwas are able to function as a preventive mechanism against financing practices that have the potential to pose collective risks to the Islamic financial system.

The Role of Sharia Governance in the Making of DSN-MUI Fatwas

In addition, research on sharia governance in Indonesia still rarely links the role of DSN-MUI with other regulatory authorities, such as the Financial Services Authority and Bank Indonesia, in the framework of systemic risk mitigation. This institutional relationship and coordination between authorities is important to understand, given that systemic risks are cross-agency and cannot be addressed sectorally. The absence of this study shows that there is an institutional gap in the existing literature.

Furthermore, the development of increasingly complex Islamic financing product innovations has the potential to create new systemic risks that have not been fully anticipated by the existing fatwa framework. However, research that critically evaluates the suitability of the DSN-MUI fatwa to the complexity of modern financing risks is still very limited. This raises questions about the adaptability of sharia governance in the face of the evolving dynamics of systemic risks.

It can be concluded that there is a significant research gap in integrating the analysis of sharia governance, systemic financing risks, and the dynamics of the DSN-MUI fatwa in one comprehensive and critical study framework. Therefore, this study is important to fill the literature gap by analyzing the role of DSN-MUI fatwa not only as a norm of sharia compliance, but also as a governance instrument that has systemic implications for financing stability in the Islamic financial system in Indonesia.

Studies on sharia governance in the Islamic financial system have developed widely, especially in discussing the institutional structure, the function of the Sharia Supervisory Board (DPS), and the sharia compliance mechanism in Islamic financial institutions. These studies generally place sharia governance as an instrument of normative supervision to ensure operational conformity with the principles of *fiqh muamalah*. The main focus is on procedural compliance and sharia legitimacy, while the dimensions of system stability and financing risk have not been the main focus.

On the other hand, the risk management and systemic risk literature is rapidly developing in the conventional financial system, with an emphasis on interinstitutional linkages, contagion effects, and the role of macroprudential regulation. In the context of Islamic finance, systemic risk assessments are still relatively limited and often adopt conventional frameworks without adequate adaptation to the characteristics of sharia contracts, risk sharing principles, and the prohibition of usury. As a result, the understanding of the risks of sharia systemic financing is still fragmentary.

Research that links DSN-MUI fatwa with sharia financial practices generally focuses on normative-judicial aspects, such as the suitability of contracts, legal postulates, and sharia legitimacy of products. Fatwas are positioned as a static source of law that governs the validity of transactions. However, studies that analyze fatwas as part of the sharia governance mechanism that have implications for the systemic structure of industrial financing risks are still very limited.

Fatwa and the dynamics of the Islamic Finance Industry in Indonesia.

A number of studies have begun to recognize that fatwas are not born in a vacuum, but are influenced by industry dynamics, product innovation, and market needs. However, these studies have not explicitly examined how the dynamics of fatwas—both in the form of expansion, adjustment, and normative compromise—have the potential to affect the accumulation of financing risks at the level of the Islamic financial system.

In the Indonesian context, the study of sharia governance still largely focuses on the internal relations of Islamic financial institutions and the role of the DPS, while the position of DSN-MUI as the central actor of national governance has not been critically studied. The relationship between the DSN-MUI fatwa, regulatory policies (OJK and Bank Indonesia), and the stability of the sharia financing system have not been systematically mapped in the existing literature.

In addition, previous research has tended to separate the study of sharia governance, fatwas, and risk management as stand-alone domains. In fact, in practice, normative decisions made through the DSN-MUI fatwa play a direct role in determining product design, financing patterns, and risk distribution throughout the Islamic financial system. The fragmentation of this study shows that the integration between normative aspects and system stability aspects is still a big gap in state of the art research.

New Needs for Fatwa Studies in the Field of Sharia Economics and Finance

The need to offer conceptual novelty by positioning the DSN-MUI fatwa as a sharia governance instrument that has systemic implications, not just as a guideline for fiqh compliance. With this approach, fatwas are analyzed as part of a governance architecture that contributes to the formation, mitigation, or even amplification of systemic financing risks in the Islamic finance industry.

In terms of analysis, theoretical novelty is needed through the integration of the concept of sharia governance and systemic risk theory. This research develops an analytical framework that relates the dynamics of fatwas, the structure of financing contracts, and the potential contagion risk in the Islamic financial system, thereby expanding the scope of risk assessment from the institutional level to the system level.

In the methodological aspect, by using a critical analysis approach to the DSN-MUI fatwa which is contextualized with industry practices and regulatory dynamics. This approach goes beyond normative text analysis by placing fatwas in real interaction between sharia

authorities, regulators, and industry players, so as to be able to reveal governance dimensions that have been underexplored.

In addition, it is necessary to present empirical and contextual novelty by examining the role of DSN-MUI in the context of the Indonesian Islamic financial system, which has a dual banking system and a distinctive regulatory structure. This analysis is expected to be able to provide a specific picture of the challenges of sharia governance in countries with a rapidly growing Islamic finance industry but still facing the issue of concentration of financing risks.

Overall, the novelty that is needed lies in the effort to shift the paradigm of fatwa studies from a normative compliance approach to a system stability-based governance approach. Thus, the contribution of this research provides significant input for the development of sharia governance theory, strengthening systemic financing risk mitigation policies, and formulating fatwas that are more responsive to the challenges of the stability of the Islamic financial system in the future.

DSN-MUI Fatwa Productivity and the Increase in Digital Financial Services

Increasing the volume and reach of DSN-MUI fatwas, especially related to digital products/services. DSN-MUI actively publishes fatwas and draft fatwas related to digital financial services and product innovation — demonstrating the expansion of the fatwa domain from traditional products to fintech/Islamic capital market products. DSN-MUI's primary source shows the latest fatwa and draft archives that put digital issues as a priority.

Consolidation of national policies (Masterplans & initiatives) that encourage the integration of fatwa-regulations and the strengthening of the sharia ecosystem. The national Sharia Economic Masterplan and the KNEKS agenda place the strengthening of sharia governance and HR/product mapping as priorities, which adds to institutional pressure on the harmonization of fatwas and prudential regulations. Increase regulatory intervention (OJK/BI) in aspects of sharia compliance, risk management, and internal functions of sharia supervision. The latest OJK regulations and policies emphasize the role of sharia compliance, internal audit, and sharia risk management functions in Islamic banks (POJK/SEOJK), thereby adding a regulatory layer that must be "harmonized" with fatwas.

Acceleration of sharia fintech innovation and speed pressure on the istinbath fatwa process. Digital products and business models (Islamic P2P, Islamic e-wallets, Islamic asset tokenization/ETFs) are evolving rapidly—creating a tension between deliberative and slow

regulatory needs/fatwa assessments. This opens up a temporal gap that potentially risks practices that have not yet been fully regulated.

The tendency of 'positivization' of fatwas has become the basis for technical regulation on several issues (restructuring, settlement), but with variations in interpretation in the field. Some fatwas have been mapped or adopted into technical regulations/POJKs, but experience in banks and DPS shows that there are variations in the translation of practices that leave room for different implementations.

Based on field data, the core of the theoretical process that emerged is how fatwas are translated—through the framework of social and institutional relations between DSN, DPS, bank management, and regulators—into operational practices that affect the financing risk profile at the systemic level. This translation process is not linear; It is scapped by epistemic differences, time pressures, and institutional capacity, so it can be a source of misalignment and risk exposure.

This study reinforces the study that says fatwa functions as a legal basis for sharia but adds a layer of empirical translation processes (see digital fatwa review). Expanding on the Institutional Theory that has been emphasizing legitimacy: here, the legitimacy of fatwa depends on the quality of translation into operational policies (not just the formal status of fatwas).

In the realm of epistemological diversity, it was found that differences in scientific/scholarly backgrounds and practical experiences between DSN/DPS members resulted in differences in how to interpret sharia principles. Adjustments between fatwa institutions and fatwa implementers at the level of Islamic financial institutions often make Islamic financial products late in implementing fatwas and cause ambiguity. In line with observations about the variation of ijthihad and the need for methodological transparency; Graunded Theory You map out how these epistemic variations impact the consistency of fatwas.

Temporal Mismatch: Speed of Innovation or Speed of Fatwa

Findings: fintech and digital products operate "faster" than istinbath processes; Some market participants adopted the product before the final fatwa was issued. Literature: confirming diffusion problems/TOE in Islamic fintech; Your Graunded Theory identifies practical consequences (de-facto practices) that pose operational risks.

The emergence of POJK/SEOJK which requires sharia compliance/risk management functions and adds layers that must be synchronized with fatwas. Sometimes

there is a positivization of fatwas to regulations so that practices change, but the implementation translation varies between banks. Findings against a particular fatwa serve as market signals—they can cause depositors/investors reactions (withdrawals, changes in preferences). Grounded Theory finds social-psychological pathways (media, local clerics, DPS) that reinforce or dampen these signals. Literature: expanding literature signaling & risk amplification, adding details of the social mechanisms that mediate the effect of fatwa to liquidity.

Based on the categorical relationship, several conceptual propositions emerge and can be used as focal points of substantive theory: The higher the epistemic divergence between actors (DSN–DPS–management), the greater the probability of fatwa ambiguity that increases operational uncertainty. When the speed of innovation exceeds the capacity of the istinbath, ad hoc practices emerge that increase the exposure of operational and market risks. A formal governance structure (MoU, SOP for fatwa translation) moderates the relationship between fatwa ambiguity and systemic risk exposure. The mechanism of fatwa communication (clarity, framing, local endorsement) determines the magnitude of the effect of fatwa signaling on market behavior. These propositions are the output of grounded theory: they stand on field data and are designed to be examined/applied in an institutional context.

Studies that highlight the role of fatwa as the foundation of sharia and encouragement for fintech/new products were confirmed (fatwas is an important reference). However, Grounded Theory adds a dimension of process (translation) that is often overlooked. Previous literature has discussed the dualism of fatwa vs regulation; Grounded Theory's findings explore the mechanisms (how) negotiations between actors take place and how they have a direct impact on risk management, not just that dualism exists. Contradiction or New Nuances: some studies suggest that the positivization of fatwas to regulation resolves uncertainty. Your grounded theory presents nuances: positivization can reduce normative uncertainty but leave an implementable gap when institutional capacity support, e.g. weak sharia risk unit conditions.

The findings of the study show that the dynamics of sharia governance in the context of DSN-MUI fatwa form a complex social process, where fatwa not only functions as a normative provision, but undergoes a series of institutional translation processes before becoming the operational policy of Islamic financial institutions.

Through the open–axial–selective coding stage, the substantive theory that emerged is: The DSN-MUI fatwa is translated through the interaction of DSN, DPS, regulators, and bank management. This translation process includes several subprocesses: Epistemic Negotiation Differences in scientific backgrounds, schools, and practical experiences result in variations in interpretations of sharia principles. This epistemic negotiation is a source of ambiguity in the implementation of fatwas.

Temporal Mismatch. The pace of Islamic fintech innovation and new financing models is often not in line with the rhythm of istinbath fatwa. This creates operational "grey areas" that have the potential to increase financing risk. Institutional Layering. The positivization of fatwas into OJK regulations strengthens formal compliance, but opens up room for variation in technical translation at the bank's operational level.

Certain fatwas trigger market reactions and stakeholder perceptions of the stability of Islamic financial institutions. Non-uniform communication mechanisms increase vulnerability to psychologically-based systemic risks. The combination of these categories shows that fatwas do not automatically reduce risk, but can create new institutional risks if the translation process is not properly managed.

Relationship of Findings to Previous Literature

The findings of the study confirm a number of studies that affirm that the DSN-MUI fatwa has a strategic role in maintaining the integrity of sharia, providing product guidelines, and increasing the legitimacy of the sharia finance industry. The literature on the Sharia Governance Framework also explains that fatwas are the foundation of sharia compliance that must be in harmony with prudential regulations.

The results of the study expand the literature in the following ways: Previous literature highlighted the importance of fatwas, but lacked the social mechanisms of how fatwas are translated (from texts → policies → practices). The grounded theory in this study offers a detailed explanation of the translation mechanism. Previous studies have emphasized fatwa-regulatory alignment, while these findings suggest that institutional layering can actually create implementation distortions if the bank's internal capacity (DPS, sharia risk unit) is inadequate. The issue of temporal mismatch has not been widely discussed. These findings enrich the understanding that systemic risk does not only come from products but from the time dynamics between innovation and the establishment of fatwas.

This research presents a new concept in the form of: "Fatwa-Induced Systemic Risk", which is a situation when the uncertainty of fatwa or fatwa communication has an impact on

market behavior and bank risk exposure. "Epistemic Pluralism Gap", which is the gap between the epistemic diversity of DSN/DPS and the practical needs of modern financial institutions.

Strengthening the theory of Sharia Economic Law. This study emphasizes that fatwa is not only a normative product, but also an institutional phenomenon (institutional legal process) that is influenced by the capacity, authority, and interaction of actors. This expands the discourse that sharia economic law is performative, that is, it works through the act of interpretation, translation, and social implementation.

Development of Sharia Governance Model

The new model shows that sharia governance is influenced by: epistemic interactions between actors, institutional dynamics, the timing and context of innovation, the mechanism of public communication of fatwas. Contribution to the theory of Sharia Systemic Risk. This study highlights that systemic risks do not only stem from economic failures, but from the misalignment between fatwas, regulations, and internal capacity.

Practical implications of accelerating the Rapid Fatwa Response Mechanism, DSN and regulators can develop faster channels to respond to digital innovations, thereby reducing the risk gap due to fatwa delays. As a result of the standardization of "Fatwa Translation" in Islamic Banks, Islamic Banks need to prepare SOPs that explain: how fatwas are translated into policies, operational interpretation formats, sharia compliance checklists and risks. Thus, strengthening the Sharia Risk Management Function

The sharia risk unit's obligations must be accompanied by: sharia-based risk assessment training, integration between DPS-management-internal audit. Fatwa Communication Protocol to Reduce the Effect of Psychological Dominoes. Structured public communication (press releases, brief takhrij, Q&A) can reduce the risk of wild interpretations that impact the bank's reputation and liquidity.

Some of the limitations obtained in the study include limited access to DSN/MUI internal documents and DPS minutes, so that the analysis is dominated by interviews and publicly available data. There is a huge variation between Islamic banks, so this substantive theory is contextual for Indonesia and needs to be tested in other contexts. Grounded Theory requires a high saturation of data, so the relationships between categories may be expanded through further data collection.

It is important to compare the achievements that can be made by other countries such as Malaysia and Brunei to test the transferability of the "Fatwa Translation" theory.

Longitudinal research to see how changes in fatwa affect the financing risk profile over time. Network analysis to map the relationship between DSN, DPS, regulators, and industry in the fatwa interpretation process. Development of a fatwa quality evaluation model based on indicators: normative clarity, compatibility with regulations, implementation risks, impact on system stability. An in-depth study of sharia risk management, including how the capacity and professionalism of the DPS affect the quality of fatwa implementation.

Research on sharia governance in the Islamic finance industry has grown rapidly, especially in discussing institutional structures, the role of the Sharia Supervisory Board (DPS), and the sharia compliance mechanism in Islamic financial institutions. Most of these studies place sharia governance as an instrument to ensure the conformity of institutional operations with sharia principles. However, the focus of the research is still dominant on normative and procedural compliance aspects, so that the systemic risk dimension in sharia financing has not been a major concern in the framework of sharia governance.

CONCLUSION

This research develops a substantive theory on "Fatwa Translation as a Risk Production and Governance Mechanism", which explains how the DSN-MUI fatwa not only functions as a normative guideline, but also becomes part of the socio-institutional processes that shape sharia risk and governance in the sharia finance industry. Through the Grounded Theory approach, the findings show that the fatwa translation process is a dynamic interaction between DSN, DPS, regulators, and bank management, which takes place through epistemic negotiations, temporal asynchrony, regulatory layering, and the effect of fatwa communication on market perception.

This study reinforces the previous literature on the importance of fatwas in maintaining the integrity of sharia, but expands the discourse by revealing social mechanisms that have not been widely explained by previous studies. The main theoretical contributions are in the form of new ideas such as fatwa-induced systemic risk and epistemic pluralism gap, which highlight that systemic risks can arise from the uncertainty of fatwa interpretation, delayed responses to financial innovations, and variations in the internal capacities of Islamic financial institutions.

Practically, this study emphasizes the need to accelerate the fatwa response mechanism, standardize fatwa translation procedures in banks, strengthen the sharia risk management function, and build fatwa communication protocols that are able to mitigate

the psychological impact on the market. The implications for the legal theory of sharia economics suggest that fatwas should be understood as a performative institutional process, influenced by the context, actors, and institutional dynamics—not just a normative text.

However, the research has limitations in access to internal documents and Indonesia-focused research contexts, so theoretical generalizations require further research. Cross-country comparative studies, longitudinal research, and inter-stakeholder network analysis are recommended to expand and test the robustness of the developed fatwa translation theory.

Overall, this research makes an important contribution to strengthening sharia governance and mitigating systemic financing risks through a new understanding of how fatwas work in practice, as well as how the quality of fatwas and its implementation process can be improved to support the stability of the Islamic finance industry.

REFERENCES

- Abdullah, N. (2019). Measuring the outreach level of micro-finance institutions in Bangladesh. *International Journal of Financial Research*, 10(5), 280–287. <https://doi.org/10.5430/ijfr.v10n5p280>
- Abusharba, M. T., Triyuwono, I., Ismail, M., & Rahman, A. F. (2013a). Determinants of Capital Adequacy Ratio (CAR) in Indonesian Islamic Commercial Banks. *Global Review of Accounting and Finance*, 4(1), 159–170. https://www.researchgate.net/profile/Mohammed-Abusharbeh/publication/315553622_Determinants_of_Capital_Adequacy_Ratio_CAR_in_Indonesian_Islamic_Commercial_Banks/links/596742dca6fdcc18ea6619f9/Determinants-of-Capital-Adequacy-Ratio-CAR-in-Indonesian-Islamic-Commercial-Banks.pdf
- Abusharba, M. T., Triyuwono, I., Ismail, M., & Rahman, A. F. (2013b). Determinants of Capital Adequacy Ratio (CAR) in Indonesian Islamic Commercial Banks. *Global Review of Accounting and Finance*, 4(1), 159–170. https://www.researchgate.net/profile/Mohammed-Abusharbeh/publication/315553622_Determinants_of_Capital_Adequacy_Ratio_CAR_in_Indonesian_Islamic_Commercial_Banks/links/596742dca6fdcc18ea6619f9/Determinants-of-Capital-Adequacy-Ratio-CAR-in-Indonesian-Islamic-Commercial-Banks.pdf
- Afrelian, M. I., Furqon, I. K., Islam, U., & Sumatra, N. (2018). *Majelis Ulama Indonesia Dalam Operasional Lembaga*. 1–12.
- Ahmad, S. (2021). *Pendidikan Manajemen Risiko Bank* (Syarifuddin, Ed.). Akademia Pustaka.
- Antonio, M. S., Sanrego, Y. D., & Taufiq, M. (2012). An analysis of Islamic banking performance: Maqashid index implementation in Indonesia and Jordania. *Journal of Islamic Finance*, 176(813), 1–18. https://d1wqtxts1xzle7.cloudfront.net/35538814/JIF_1_1_12-29-libre.pdf?1415821412=&response-content-disposition=inline%3B+filename%3DAn_Analysis_of_Islamic_Banking_Performance.pdf&Expires=1781676835&Signature=B~wXKbtPxVnqZJpKyRmh2dfniBHQbwClm9tWfjnT4KKUfPZmb-xFbY5kJgw~ad6VusMWDkbH404Mm49bXnxy39Y3J2Css4NBUMXZ1Has5YbeDGDGAdSsurIEmcuuOjF/~rnnVwn7c9AbRc6ubvX80Om0VsH6pFAUvx5Q9IRzp-4OYRL~JjDoa7WVv7ghoIxFtjQuzGEEFQKUMRs1p1AtZjr8aO2CVoV3IE-zh4D8klidSRraQQEsPj810HxzTCWrbP5r~Dmnlq40ppwUoylS3o6ICMZeczacQ2tWOFrkkmMZ8cjd-ISEMnMoelKZ7R-8hhgPMqDpQHfvQFYkYwPkmg_&Key-Pair-Id=APKAJLOHF5GGSLRBV4ZA
- Ayub, M., Hassan, M. K., & Saba, I. (2023). Revisiting the paradigm of Shari‘ah governance of Islamic financial institutions. *Journal of Islamic Accounting and Business Research*. <https://doi.org/10.1108/jiabr-04-2022-0110>

- Baidhowi, B., Rofiq, A., Murtadho, A., & Sani, A. Z. S. A. (2023). Positivization of Fatwas of the National Sharia Council of the Indonesian Ulema Council in the Sharia Banking Law: Problems and Challenges. *Lex Scientia Law Review*. <https://doi.org/10.15294/lesrev.v7i2.73799>
- Banna, H. (2025). Digital Financial Inclusion and Bank Stability in a Dual Banking System: Does Financial Literacy Matter? *Journal of Islamic Monetary Economics and Finance*, 11(1), 63–90. <https://doi.org/10.21098/jimf.v11i1.2650>
- Belkhir, M., Grira, J., Hassan, M. K., & Soumaré, I. (2019). Islamic banks and political risk: International evidence. *Quarterly Review of Economics and Finance*, 74, 39–55. <https://doi.org/10.1016/j.qref.2018.04.006>
- Bitar, M., Hassan, M. K., & Walker, T. (2017a). Political systems and the financial soundness of Islamic banks. *Journal of Financial Stability*, 31, 18–44. <https://doi.org/10.1016/j.jfs.2017.06.002>
- Bitar, M., Hassan, M. K., & Walker, T. (2017b). Political systems and the financial soundness of Islamic banks. *Journal of Financial Stability*, 31, 18–44. <https://doi.org/10.1016/j.jfs.2017.06.002>
- Bitar, M., Kabir Hassan, M., & Hippler, W. J. (2018a). The determinants of Islamic bank capital decisions. *Emerging Markets Review*, 35, 48–68. <https://doi.org/10.1016/j.ememar.2017.12.002>
- Bitar, M., Kabir Hassan, M., & Hippler, W. J. (2018b). The determinants of Islamic bank capital decisions. *Emerging Markets Review*, 35, 48–68. <https://doi.org/10.1016/j.ememar.2017.12.002>
- Duqi, A., Jaafar, A., & Warsame, M. H. (2020). Payout policy and ownership structure: The case of Islamic and conventional banks. *British Accounting Review*, 52(1), 100826. <https://doi.org/10.1016/j.bar.2019.03.001>
- Fakhrina, A., & Hamid, A. (2025). Sacralizing the Market? The Role of DSN--MUI in the Legal-Economic Legitimacy of Islamic Banking in Indonesia. *AHKAM: Jurnal Ilmu Syariah*, 25(1), 125–142. <https://doi.org/10.15408/ajis.v25i1.40879>
- Fianto, B. A., Maulida, H., & Laila, N. (2019). Determining factors of non-performing financing in Islamic microfinance institutions. *Heliyon*, 5(8). <https://doi.org/10.1016/j.heliyon.2019.e02301>
- Furqon, L. A. (2025). Analisis Maqashid Syariah Dalam Fatwa DSN-MUI Tentang Akad-Akad Di Perbankan Syariah di Bank Syariah Indonesia Kantor Cabang Tasikmalaya Sutisna Senjaya. *Jejak Digital: Jurnal Ilmiah Multidisiplin*, 1(4b), 2056–2064. <https://doi.org/10.63822/jtbn6784>
- Grassa, R. (2015). Shariah supervisory systems in Islamic finance institutions across the OIC member countries: An investigation of regulatory frameworks. *Journal of Financial Regulation and Compliance*. <https://doi.org/10.1108/JFRC-02-2014-0011>

- Gündoğdu, A. Ş., & İçen, H. (2025a). Islamic Finance Instruments and Systematic Risks: A Call for Financial Framework Reform. *Uluslararası İslam Ekonomisi ve Finans Araştırmaları Dergisi*, 11(1), 17–30. <https://doi.org/10.54427/ijisef.1559304>
- Gündoğdu, A. Ş., & İçen, H. (2025b). Islamic Finance Instruments and Systematic Risks: A Call for Financial Framework Reform. *Uluslararası İslam Ekonomisi ve Finans Araştırmaları Dergisi*, 11(1), 17–30. <https://doi.org/10.54427/ijisef.1559304>
- Haddou, S. A., & Mkhinini, S. (2022). Investigating the linkage between Shariah board size, liquidity risk and bank stability through an asymmetric lens. *Journal of Islamic Accounting and Business Research*. <https://doi.org/10.1108/jiabr-03-2022-0074>
- Hamid, A. M. (2018). Islamic Governance In Islamic School Finance. *Cendekia: Jurnal Pendidikan Dan Pembelajaran*, 12(1), 1–22. <https://doi.org/10.30957/cendekia.v12i1.435>
- Hamid, A. M., & Rohmaningtyas, N. (2024). Revolusi Ekonomi Umat dengan Fintech Syariah: Analisis dan Peluang. *ADILLA: Jurnal Ilmiah Ekonomi Syari'ah*, 7(2), 59–80. <https://doi.org/10.52166/adilla.v7i2.6738>
- Harly, R., & Syaifuddin, S. (2021). Produk Pembiayaan Pinjam Sambil Simpan Uang (Pisang) BPRS Bahari Berkesan Kota Ternate: Upaya Peningkatan Ekonomi Ummat. *Indonesian Journal of Shariab and Justice*, 1(2), 113–134. <https://doi.org/10.46339/ijis.v1i2.11>
- Hartini, S., Purwoto, A., Hartono, R., & Apriadi, A. (2025). Authority of the National Sharia Council (DSN) and the Financial Services Authority (OJK) in the Regulation of Shakra Banks After the Birth of Law no.21 of 2011 Linked to Sharia Principles According to Sharia Banking Law. *Journal of Lifestyle and SDGs Review*, 5(2), e04625. <https://doi.org/10.47172/2965-730x.sdgsreview.v5.n02.pe04625>
- Havidz, S. A. H., & Setiawan, C. (2015). Bank Efficiency and Non-Performing Financing (NPF) in the Indonesian Islamic Banks. *Asian Journal of Economic Modelling*, 3(3), 61–79. <https://doi.org/10.18488/journal.8/2015.3.3/8.3.61.79>
- Hendra, J., Ghafar, A., Cahnawawi, S. T., & Sholatullah, S. (2025). The Role of The Sharia Supervisory Board in Risk Mitigation in Islamic Financial Institutions. *Journal of Education Transportation and Business*, 2(1), 177–180. <https://doi.org/10.57235/jetbus.v2i1.6270>
- Hidayati, T., & Hidayatullah, M. S. (2021). Urgensi Fatwa DSN-MUI mengenai manajemen risiko pembiayaan berbasis syariah. *Al Manabij: Jurnal Kajian Hukum Islam*, 15(2), 201–220. <https://doi.org/10.24090/mnh.v15i2.4641>
- Ibrahim, A., & Salam, A. J. (2021). A comparative analysis of DSN-MUI fatwas regarding murabahah contract and the real context application (A study at Islamic Banking in Aceh). *Samarah: Jurnal Hukum Keluarga Dan Hukum Islam*, 5. <https://doi.org/10.22373/sjhk.v5i1.8845>
- Ibrahim, M. (2023). *Bank Financing and Risk: The Case of Islamic Banks*. 1–18. <https://doi.org/10.1142/s2811023423500065>

- Awaluddin. Andis Febrian. (2020). Kedudukan Fatwa DSN-MUI dalam Transaksi Keuangan pada Lembaga Keuangan Syariah Di Indonesia. *Al-Hurriyah; Jurnal Hukum Islam*. 5 (2). <https://doi.org/10.30983/alburriyah.v5i2.3366>
- Karimah, I. (2022). Between legal risk and sharia risk in islamic banking: how shariah governance address the problem. *Diponegoro Law Review*, 7(1), 88–105. <https://doi.org/10.14710/dilrev.7.1.2022.88-105>
- Kasri, R. A., & Kassim, S. H. (2009). Empirical determinants of saving in the Islamic banks: Evidence from Indonesia. *Journal of King Abdulaziz University, Islamic Economics*, 22(2), 181–201. <https://doi.org/10.4197/islec.22-2.7>
- Meslier, C., Risfandy, T., & Tarazi, A. (2017). Dual market competition and deposit rate setting in Islamic and conventional banks. *Economic Modelling*, 63(November 2016), 318–333. <https://doi.org/10.1016/j.econmod.2017.02.013>
- Mills, J., Bonner, A., & Francis, K. (2006). The Development of Constructivist Grounded Theory. *The International Journal of Qualitative Methods*, 5(1), 25–35. <https://doi.org/10.1177/160940690600500103>
- Muhaiyuddin, N. S. M., Bakar, H. S. A., & Hussin, H. (2016). The multiple approaches of grounded theory: justification for straussian version. *PEOPLE: International Journal of Social Sciences*, 2(1), 186–196. <https://doi.org/10.20319/PIJSS.2016.S21.186196>
- Muiz, A. (2024). Tinjauan Yuridis terhadap Implementasi Fatwa DSN-MUI Mengenai Pembiayaan Murabahan dalam Praktik Perbankan Syariah di Indonesia. *Journal of Islamic Finance and Syariah Banking*, 2(1), 13–21. <https://doi.org/10.63321/jifsb.v2i1.54>
- Mujib, A. (2015). Pendekatan Tafsir Produk Perbankan Syariah. *Muqtasid*. 6 (1). 41–57. <https://muqtasid.iainsalatiga.ac.id/index.php/muqtasid/article/view/1021>
- Mustofa, I. (2023). Text Authorization In The Development Of Sharia Economic Law In Indonesia: Study of the Fatwa of the National Sharia Council of the Indonesian Ulama Council. *Jurisdictie: Jurnal Hukum Dan Syariah*. <https://doi.org/10.18860/j.v13i2.18935>
- Othman, N., Abdul-Majid, M., & Abdul-Rahman, A. (2017). Partnership financing and bank efficiency. *Pacific Basin Finance Journal*, 46(October 2016), 1–13. <https://doi.org/10.1016/j.pacfin.2017.08.002>
- Prihatanti, V. W., & Ritonga, I. (2025). Fatwa DSN-MUI Dalam Perbankan Digital: Menjawab Tantangan Ekonomi Syariah Di Era 5.0 Dan Prospeknya Di Masa Depan. *WORLDVIEW (Jurnal Ekonomi Bisnis Dan Sosial Sains)*, 4(2), 113–129. <https://doi.org/10.38156/worldview.v4i2.578>
- Putro, H. K., Sifa, M. A., & others. (2025). Manajemen Resiko Pembiayaan Bank Syariah Indonesia: Tantangan dan Solusi. *Journal of Islamic Banking*, 6(1), 20–36. <https://doi.org/10.35896/jib.v6i1.1027>
- Rahman, M. L., & Banna, S. H. (2016). Liquidity Risk Management: A Comparative Study between Conventional and Islamic Banks in Bangladesh. *Journal of Business and Technology (Dhaka)*, 10(2), 18–35. <https://doi.org/10.3329/jbt.v10i2.29465>

- Rozzani, N., & Rahman, R. (2013). Camels and Performance Evaluation of Banks in Malaysia: Conventional Versus Islamic. *Journal of Islamic Finance and Business ...*, 2(1), 36–45.
[https://d1wqtxts1xzle7.cloudfront.net/50499350/Camels and Performance Evaluation of Ban20161123-4130-1lbsvtl-libre.pdf?1479903508=&response-content-disposition=inline%3B+filename%3DCamels and performance evaluation of ban.pdf&Expires=1781677490&Signature=OKLLiQsdWmWnFB4VrFdG0NDyzBFYXcz1G-wHjLyhHeShE5wN61WA7h6zgx96bnPL2nK0zab-A5kfCiF-cosW7vx8GhuoEc5f5Q5~wK6cXSic2YKEFWyz0vEWc1KG1lspFoEjeOAjSpsqEODe3DhjFKWCikA2T7VHV4F-Fg8kAlCkyFNiZk7O9H2yh8E~Ln3ep3M5p1MFAtIAKkPiMT-IcFFaWgmKBbaAw7hHtYuvPBO8dUWhy7cqnbAOJxKnlNr1GHg2hmkVlfuP1xq9A22UnAnoqzknLNKZ9u5CGtrp6WV37dJn3srSsiZrdrWth-XBZ-ltht-NnLgc-Vy7dXamcg_&Key-Pair-Id=APKAJLOHF5GGSLRBV4ZA](https://d1wqtxts1xzle7.cloudfront.net/50499350/Camels%20and%20Performance%20Evaluation%20of%20Ban20161123-4130-1lbsvtl-libre.pdf?1479903508=&response-content-disposition=inline%3B+filename%3DCamels%20and%20performance%20evaluation%20of%20ban.pdf&Expires=1781677490&Signature=OKLLiQsdWmWnFB4VrFdG0NDyzBFYXcz1G-wHjLyhHeShE5wN61WA7h6zgx96bnPL2nK0zab-A5kfCiF-cosW7vx8GhuoEc5f5Q5~wK6cXSic2YKEFWyz0vEWc1KG1lspFoEjeOAjSpsqEODe3DhjFKWCikA2T7VHV4F-Fg8kAlCkyFNiZk7O9H2yh8E~Ln3ep3M5p1MFAtIAKkPiMT-IcFFaWgmKBbaAw7hHtYuvPBO8dUWhy7cqnbAOJxKnlNr1GHg2hmkVlfuP1xq9A22UnAnoqzknLNKZ9u5CGtrp6WV37dJn3srSsiZrdrWth-XBZ-ltht-NnLgc-Vy7dXamcg_&Key-Pair-Id=APKAJLOHF5GGSLRBV4ZA)
- Sardar, S., & Iqbal, M. F. (2023). Risk Management in Islamic Banking System: An Overview of Current Modules. *Journal of Religious and Social Studies*.
<https://doi.org/10.53583/jrss05.02.2023>
- Šeho, M., Bacha, O. I., & Smolo, E. (2020). The effects of interest rate on Islamic bank financing instruments: Cross-country evidence from dual-banking systems. *Pacific Basin Finance Journal*, 62(February), 101292. <https://doi.org/10.1016/j.pacfin.2020.101292>
- Shaban, M., Duygun, M., Anwar, M., & Akbar, B. (2014). Diversification and banks' willingness to lend to small businesses: Evidence from Islamic and conventional banks in Indonesia. *Journal of Economic Behavior and Organization*, 103, S39–S55.
<https://doi.org/10.1016/j.jebo.2014.03.021>
- Shufiah, W. (2023). Kinerja Keuangan Bank Umum Syariah di Indonesia. *Rayah Al-Islam*, 7(3), 1617–1644. <https://doi.org/10.37274/rais.v7i3.875>
- Sifa, M. A., & Syakur, A. (2025). Implementasi Fatwa DSN-MUI Tahun 2002 Tentang Rahn Dalam Layanan Pegadaian Syariah Tuban: Telaah Terhadap Penerapan Biaya Mu'nah. *Journal of Sharia Economics*, 7(1), 53–74. <https://doi.org/10.35896/jse.v7i1.1026>
- Smaoui, H., Salah, I. Ben, & Diallo, B. (2020a). The determinants of capital ratios in Islamic banking. *Quarterly Review of Economics and Finance*, 77, 186–194.
<https://doi.org/10.1016/j.qref.2019.11.002>
- Smaoui, H., Salah, I. Ben, & Diallo, B. (2020b). The determinants of capital ratios in Islamic banking. *Quarterly Review of Economics and Finance*, 77, 186–194.
<https://doi.org/10.1016/j.qref.2019.11.002>
- Sobarsyah, M., Soedarmono, W., Yudhi, W. S. A., Trinugroho, I., Warokka, A., & Pramono, S. E. (2020). Loan growth, capitalization, and credit risk in Islamic banking. *International Economics*, 163(February), 155–162. <https://doi.org/10.1016/j.inteco.2020.02.001>
- Solihin, D., & Akbar, T. (2025). DSN-MUI Fatwa As A Regulatory Pillar For The Growth Of Sharia Exchange-Traded Funds In Islamic Finance. *Jurnal Syarikah: Jurnal Ekonomi Islam*, 11(1), 97–109. <https://doi.org/10.30997/jsei.v11i1.19685>

- Sorwar, G., Pappas, V., Pereira, J., & Nurullah, M. (2016). To debt or not to debt: Are Islamic banks less risky than conventional banks? *Journal of Economic Behavior and Organization*, 132, 113–126. <https://doi.org/10.1016/j.jebo.2016.10.012>
- Styawati, D. A. (2024). Tantangan dan strategi manajemen risiko di bank syariah. *Maliki Interdisciplinary Journal*, 2(5), 872–877. <https://urj.uin-malang.ac.id/index.php/mij/article/view/7552>
- Syaifuddin. (2018a). *Perilaku konsumen muslim : Study Nasabah Nabdiyin Pada Bank Syariah di Ternate*.
- Syaifuddin. (2018b). *Perilaku konsumen muslim : Study Nasabah Nabdiyin Pada Bank Syariah di Ternate*.
- Syaifuddin. (2019). *Metode Penelitian Kualitatif Interdisipliner Ekonomi dan Hukum Islam*. IAIN Ternate Press.
- Usman, M. I. (2022a). Sharia Financial Institutions Compliance Towards Islamic Principles in Performing Intermediation Functions. *Al-Iqtishad: Jurnal Ilmu Ekonomi Syariah*, 14(1). <https://doi.org/10.15408/aiq.v14i1.25632>
- Usman, M. I. (2022b). Sharia Financial Institutions Compliance Towards Islamic Principles in Performing Intermediation Functions. *Al-Iqtishad: Jurnal Ilmu Ekonomi Syariah*, 14(1). <https://doi.org/10.15408/aiq.v14i1.25632>
- Warninda, T. D., Ekaputra, I. A., & Rokhim, R. (2019). Do Mudarabah and Musharakah financing impact Islamic Bank credit risk differently? *Research in International Business and Finance*, 49(September 2017), 166–175. <https://doi.org/10.1016/j.ribaf.2019.03.002>
- Widyastuti, U., Febrian, E., Sutisna, S., & Fitrijanti, T. (2020). Sharia compliance in sharia mutual funds: A qualitative approach. *International Journal of Economics and Business Administration*, 8(3), 19–27. <https://doi.org/10.35808/ijebe/483>
- Yazdan, G. F., & Hossein, S. M. (2012). Analysis of Islamic Bank's Financing and Economic Growth: Case Study Iran and Indonesia. *Journal of Economic Cooperation and Development*, 33(4), 1–24. https://openurl.ebsco.com/EPDB%3Aagcd%3A3%3A37304099/detailv2?sid=ebsco%3Aplink%3Ascholar&id=ebsco%3Aagcd%3A89439621&crl=c&link_origin=scholar.google.co.id
- Zainol, Z., & Kassim, S. H. (2010). An analysis of Islamic banks' exposure to rate of return risk. *Journal of Economic Cooperation and Development*, 31(1), 59–84. https://www.researchgate.net/profile/Salina-Kassim/publication/265261645_An_Analysis_of_Islamic_Banks'_Exposure_to_Rate_of_Return_Risk/links/54b793b80cf24eb34f6eb9b2/An-Analysis-of-Islamic-Banks-Exposure-to-Rate-of-Return-Risk.pdf
- Zein, F. (2018). *Legislation Fatwa of National Sharia Board-Indonesian Council of Ulama (DSN-MUI) In the State Legislasi Fatwa Dewan Syariah Nasional MUI*. 6(1), 71–94. <https://doi.org/10.15408/jch.v6i1.8267>