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## Regional Economic Dimensions and Gender-Inclusive Islamic Finance: Advancing Maqāṣid al-Sharī'ah and the SDGs Through a Cross-Country Comparative Analysis

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### Abstract

**Objective:** This study aims to analyze the relationship between gender inclusion strategies and the profitability of Islamic financial institutions in Asia, the Middle East, and Sub-Saharan Africa. Its main focus is to identify the contribution of women's participation to financial performance and inclusion. **Theoretical framework:** The research is based on the theory of financial inclusion, gender diversity in governance, and the performance of financial institutions. This framework emphasizes that women's involvement can improve institutional innovation, stability, and profitability. **Literature review:** Previous research has shown that gender influences the adoption of financial products and institutional performance. However, cross-border studies in the context of Islamic finance are still limited. **Methods:** Using comparative case studies in countries with high penetration of Islamic finance. Data from 89 journal articles were analyzed descriptively-comparatively and thematically, using NVivo and Python. **Results:** Results show that gender inclusion strategies supported by gender-responsive governance, digital innovation, and institutional collaboration contribute to increased efficiency and profitability. There are significant differences in approaches between regions in encouraging women's empowerment. **Implications:** The results of the research are the basis for strengthening more gender-inclusive Islamic finance policies and practices. These findings also support the achievement of the SDGs related to economic equality and inclusion. **Novelty:** Offers a cross-border comparative mapping of the relationship between gender inclusion and sharia financial profitability. This study integrates aspects of institutional strategy, women's participation, and Islamic finance innovation.

**Keywords:** cross-country economics, islamic finance innovation, gender inclusion, comparative studies, sdfs.

### INTRODUCTION

In the era of global development, financial systems are required not only to improve economic performance but also to address broader social, gender, and spatial dimensions, including equality, inclusivity, and sustainability [1], [2]. Islamic finance, grounded in the principles of justice ('adl), risk-sharing (musharakah), and social responsibility (maslahah), offers an ethical and values-based alternative to conventional financial models [3]. Its application has expanded to sectors such as agriculture, trade, and micro-enterprise

development, particularly in Muslim-majority and underserved regions [4]. However, the uneven implementation of Islamic finance across regions and population groups—particularly women—demonstrates both opportunities and systemic gaps in optimally realising development potential [5].

Islamic finance has emerged rapidly as a financial alternative that focuses not only on profitability but also prioritises fairness, transparency, and social responsibility. Its role is significant in various sectors, including agriculture, trade, and investment through various schemes such as Murabahah, Ijara, Tawarruq, and Salam, which are designed to optimise liquidity, manage risk, and enhance financial stability [6]–[8].

The agricultural sector, as a strategic economic pillar, remains a mainstay of livelihoods in many developing countries. However, this sector faces limited access to primary financing due to high risks and relatively low returns. Research emphasises the importance of integrating Sharia-compliant financing with sustainable agricultural practices and the use of technology [9], [10]. Research by Prayogi & Ramadhan (2024) in Indonesia highlights the potential of Salam contracts as an agricultural financing instrument, despite challenges such as the risk of crop failure and limited farmer understanding. Integration between Sharia-compliant financial institutions and microfinance institutions is recommended to improve farmers' access to financial services [11]. Furthermore, a cash waqf-based financing model combining Mudharaba, Salam, and Ijara has also been proposed to enhance the resilience of the agricultural sector through Sharia-compliant insurance (Takaful) protection [12], [13].

At the regional level, Malaysia's experience demonstrates the success of Agrobank's Agricultural Value Chain Finance (AVCF) model, which connects farmers with suppliers, markets, and insurance within a Sharia-compliant ecosystem, thus enhancing financial stability [14]. Research in Pakistan also found a U-shaped relationship between Islamic producer financing and agricultural output, suggesting that overfinancing can reduce productivity above the optimal threshold [15]. Another challenge includes the limited presence of Islamic financial institutions in rural areas, which can be addressed through the adoption of Sharia-based fintech and Salam-Muzara'ah contracts supported by cash waqf [16], [17].

In addition to economic aspects, stated that gender equality is a crucial dimension of sustainable development, particularly related to SDGs 5 (Gender Equality) and 8 (Decent Work and Economic Growth) [18]. Gender equality is a crucial component in achieving sustainable development, as stated in the Sustainable Development Goals (SDGs), particularly points 5 and 8. In the context of Islamic finance, fundamental principles such as equity, inclusivity, and social responsibility position women as an integral part of Islamic economic development. However, the implementation of these principles often faces structural and cultural challenges in various countries.

Several studies indicate that women's roles in the Islamic finance sector are not fully reflected in institutional structures or access to financial products and services [19]. Found that gender influences decisions to use Islamic financial products, but financial institutions' strategies do not always respond equally [20]. Found that gender diversity in Sharia boards of directors and supervisors is positively correlated with the financial performance of Islamic banks in Indonesia and Malaysia. In Africa, confirmed that Islamic finance contributes significantly to women's empowerment, particularly in economic and political aspects, with a greater impact in countries with high Islamic finance penetration [21]. In Southeast Asia, research has emphasised community-based approaches and financial literacy as key to the successful inclusion of underbanked women [22]. These findings align with those of, who showed that while income influences Islamic financial literacy, gender is not the sole determining factor, necessitating a more comprehensive approach [23].

Innovative strategies such as Sharia-compliant crowdfunding, Qard Hasan, and cash waqf have emerged as inclusive alternatives to support women's businesses [24], [25].

Meanwhile, highlights the importance of an accounting framework based on cooperative principles and Sharia values to strengthen more democratic and gender-responsive governance of financial institutions [26]. However, studies that systematically describe the relationship between gender equality, the profitability of Islamic financial institutions, and strategic institutions across countries are still limited. Most studies focus on the local context or only on aspects of literacy and access, without examining the direct link to institutional impacts and global prospects.

The research questions that constitute this study's scientific contribution include: a) What is the relationship between gender empowerment strategies and the performance of Islamic financial institutions?; b) Which Islamic financial approaches and instruments are effective in strengthening women's economic participation?; c) How do different country contexts influence gender equality strategies in the Islamic financial system?; and d) What are the challenges and prospects in implementing gender equality principles in the Islamic financial sector?

Thus, this study aims to comprehensively analyse the relationship between gender equality and the profitability of Islamic financial institutions across countries, identify strategies implemented for women's economic empowerment, and explore the prospects for women's empowerment through the principles of equitable Islamic financial inclusion. This study also compiles a cross-country literature review to provide a holistic picture of the dynamics, challenges, and opportunities in achieving gender equality in the global Islamic financial sector.

## LITERATURE REVIEW

### Regional Economic Dimensions and Islamic Finance

Studies on the relationship between Islamic finance and regional economic development demonstrate that Shari'ah-compliant instruments operate not only at the micro level (individuals and households) but also at the macro level, particularly in strengthening strategic sectors such as agriculture, infrastructure, and micro, small, and medium enterprises (MSMEs). Several studies emphasise that sharia-based financing schemes such as murabahah, salam, and mudarabah have significantly increased agricultural productivity in Indonesia. In Malaysia, the AVCF model adopted by Agrobank integrates farmers with suppliers and markets in a sharia-compliant ecosystem. Similarly, highlights the importance of balanced financing in Pakistan, emphasising that excessive financing can undermine agricultural productivity.

Recent scholarship further underscores the pivotal role of Islamic finance in advancing regional economic development [27]. Highlight the contribution of Islamic banks in strengthening agriculture and MSMEs through productive financing and human resource development [28]. Demonstrate that a Shari'ah-based economy supports the sustainability of Indonesia's agricultural sector. Digital strategies and digital leadership have also been shown to reinforce agribusiness resilience [29]. Emphasise the innovative use of ijara-based products as effective agricultural financing instruments [30]. Furthermore, note the role of Shari'ah-compliant peer-to-peer crowdfunding platforms in supporting Malaysia's rice industry and strengthening agricultural value chain integration [31].

Overall, the literature suggests that Islamic finance holds strong potential for narrowing regional disparities by providing access to finance for marginalised groups. However, its effectiveness is highly contingent upon institutional frameworks, regulatory capacity, and technological readiness [32], [33].

## Gender Equality in the Islamic Financial System

Gender equality is a key dimension of sustainable development, in line with SDGs 5 (Gender Equality) and SDG 8 (Decent Work and Economic Growth). The principles of justice ('adl) and inclusiveness in Islamic finance provide normative legitimacy for women's participation in the financial system. However, empirical evidence suggests a persistent gap between normative ideals and institutional practices.

Research reports that gender influences the decision to use Islamic financial products, but institutional strategies are not yet fully responsive to women's needs. Similarly, found that gender diversity on Islamic bank boards of directors is positively correlated with profitability, confirming that female representation has a significant impact on institutional performance. In Africa, reports indicate that Islamic finance contributes to women's empowerment, particularly in economic and political aspects, with stronger results in countries with high penetration.

Recent literature emphasises the importance of financial literacy and women's empowerment in the MSME sector. Several studies show that women's empowerment from an Islamic perspective encourages their economic participation [34], while women's entrepreneurship in developing countries presents unique challenges and opportunities [35]. Similar findings are also found in studies showing that microfinance and Sharia-compliant instruments have a significant impact on women's well-being [36], [37]. Furthermore, millennials tend to display inclusive attitudes toward Sharia-compliant financial products, including women's involvement in financial decision-making.

Research by Rozalinda et al. (2024) emphasises the importance of community-based approaches and financial literacy to increase women's participation, especially those without access to formal banking. Findings by Rahmatia et al. (2022) add that while income influences financial literacy, gender is not the sole determinant, necessitating a more comprehensive, cross-variable approach [38]–[40].

## Innovation in Instruments and Gender-Inclusive Strategies

The development of innovative Islamic financial instruments has opened new opportunities to advance gender equality and regional economic development. Shari'ah-compliant crowdfunding, qard hasan, and cash waqf are increasingly recognised as potential instruments to support women-owned microenterprises. Hybrid models—such as combining cash waqf with muḍārabah or salam—have gained attention as mechanisms to address agricultural financing challenges while simultaneously expanding women's economic participation. Further emphasises that cooperative-based Shari'ah governance can foster more democratic and gender-responsive institutions.

Recent studies highlight the integration of digital solutions and holistic strategies. A literature review of "musharakah" underscores the importance of contractual innovation [41]. Furthermore, a study highlights the role of Islamic finance in food commodity trading [42], while uncovering the potential of social finance to strengthen women's inclusion [43]. Furthermore, digital strategies and leadership practices have been shown to increase the efficiency and sustainability of sharia-compliant instruments in the agricultural sector.

Nevertheless, most of the existing literature remains concentrated at the micro level—for instance, on women's financial literacy or credit access—while cross-country analyses that connect institutional strategies, profitability, and regulatory contexts remain scarce.

## Research Gaps and Development Directions

The literature review reveals several research gaps in Islamic finance studies, particularly regarding the regional economic dimension and gender inclusion. First, there are limitations in cross-country analysis. Most previous studies have focused on specific local or regional

contexts, resulting in limited comparisons of strategies, instruments, and implementation outcomes across countries. For example, examined the determinants of Islamic bank profitability in ten countries, but social and gender dimensions were not explicitly included in the analytical framework [44].

Second, the integration of gender dimensions and the profitability of Islamic financial institutions remains limited. Existing literature generally emphasises women's access to financial services or its impact on household welfare, but rarely links these directly to the institution's financial performance. Research by is an exception, analysing the influence of gender diversity and inclusion on bank profitability in Indonesia and Malaysia [45]. These findings underscore the urgency of expanding similar studies across countries.

Third, contextual evaluations related to regulations, culture, and institutional capacity are rarely systematically examined. Yet, these factors often determine the success or failure of implementing Islamic finance strategies. A study highlights the importance of macroeconomic and regulatory factors in promoting financial inclusion in member countries of the Organisation of Islamic Cooperation (OIC), but does not specifically link these to gender-responsive strategies or profitability [46].

Fourth, the methodological approaches used in the literature are still limited. Cross-country comparative studies using comparative case study designs and software-based thematic analysis tools (such as NVivo) or Python-assisted data analysis are still rare. This combination of methods has the potential to produce more valid findings, robust replicability, and clearer visualisation of strategic patterns.

To bridge this gap, this study offers a novel contribution by integrating gender, profitability, and regional economic dimensions within a comparative cross-country analysis framework. The analysis was conducted by combining a qualitative approach based on comparative case studies with technology-enhanced thematic analysis (NVivo and Python) to identify strategic patterns, best practices, and contextual variations across countries [47], [48]. With a focus on strengthening the *maqāṣid al-sharī'ah* (obligatory principles of Islamic finance) and its relevance to achieving the Sustainable Development Goals (SDGs), this study is expected to provide a more comprehensive conceptual foundation and strategic recommendations for strengthening a gender-inclusive and sustainable Islamic financial system globally.

## METHODOLOGY

### Research Design

This study employs a Comparative Case Study (CCS) design to explore best practices, strategies, and institutional mechanisms of Islamic finance in agriculture and other key economic sectors across multiple countries. The CCS approach was selected because it uncovers contextual linkages between Islamic finance practices, gender responsiveness, and profitability that cannot be fully captured through literature reviews alone. This makes it particularly suitable for developing a cross-country strategic framework for Islamic financial institutions. Unlike survey or experimental methods, CCS emphasises real-world practices and inter-country comparisons, enabling deeper analysis of contextual factors and strategic outcomes while generating insights that are generalizable for inclusive global policy development.

To address the research questions, the CCS approach was applied for three key reasons: a) It reveals the contextual relationship between gender empowerment strategies, the effectiveness of Islamic financial instruments, and institutional profitability; b) It allows for inter-country comparison, identifying how differences in context influence the implementation of gender equality strategies; c) It provides insights into challenges and

prospects for advancing inclusive and sustainable economic growth through Islamic finance institutions.

Accordingly, this methodology aligns with the research objectives by emphasising gender, profitability, strategy, and cross-country context while ensuring relevance to the goal of generating an adaptive and inclusive strategic framework for Islamic financial institutions.

### **Case Selection and Data Sources**

Cases were purposively selected based on the following criteria: (i) countries or regions with significant penetration of Islamic finance; (ii) availability of credible secondary data from institutions, policy reports, and scholarly publications; and (iii) the presence of initiatives promoting financial inclusion and gender equality. The study covers 10–12 countries in Southeast Asia, the Middle East, and Africa to ensure regulatory, institutional, and economic diversity, thereby enhancing the meaningfulness of comparative insights.

The dataset comprises 89 primary reports and peer-reviewed journal articles, covering institutional strategies, profitability indicators, Islamic financial instruments (bay' salam, qard hasan, takaful, Islamic crowdfunding, cash waqf), gender inclusion initiatives, and socio-economic as well as regional factors influencing implementation. Data were systematically extracted and analysed using a descriptive-comparative framework, allowing for cross-case comparison of patterns, similarities, and differences in strategies and financial performance.

### **Data Analysis**

Thematic analysis was conducted with the support of NVivo, integrated with Python for automated text coding, keyword identification, and thematic visualisation. This integration enhanced systematic data processing, accelerated cross-case pattern detection, and improved coding consistency. Inter-coder agreement was applied to test coding reliability, with discrepancies resolved through team discussion to achieve consensus, thereby ensuring thematic validity and analytical reliability.

### **Contextual Evaluation**

Each case was examined in light of its socio-cultural, regulatory, and regional conditions, enabling the identification of best practices, challenges, and contextual factors influencing the success of Islamic finance—particularly in advancing gender equality and regional economic development.

### **Validity, Reliability, and Ethics**

Triangulation was applied across multiple credible sources, including peer-reviewed articles, institutional reports, and policy documents. Structured matrices were used to standardise inter-country comparisons across financial performance indicators, institutional strategies, financial instruments, and gender inclusion measures. Each case was independently analysed by two researchers, with interpretive differences resolved through team discussions. Ethical compliance followed international research standards, including reliance on publicly available data, respect for institutional privacy, exclusion of sensitive personal data without consent, and transparency in reporting. These measures ensure scientific integrity, reproducibility, and adherence to global ethical principles (e.g., COPE Declaration and institutional guidelines).

## **Methodological Contribution**

This CCS approach provides significant methodological contributions in line with the research objectives. In the Findings section, quantitative information and case comparisons are presented both narratively and in tabular form (e.g., countries, number of institutions or instruments analysed, gender inclusion indicators, and types of Islamic financial instruments implemented) to enhance transparency, comparability, and interpretability of cross-country results.

## **RESULTS AND DISCUSSION**

### **Case Descriptions and Country/Region Profiles in Islamic Finance: SDGs and MSMEs**

A systematic review of over 89 publications on Islamic finance for the period 2020–2025 confirms the distinct characteristics of regions, including Southeast Asia, South Asia, the Middle East, the Gulf, and Sub-Saharan Africa. This literature synthesis highlights variations in Islamic finance penetration levels, macroeconomic conditions, regulations, and the dominant institutions and instruments that play a role in promoting social development, financial inclusion, women's empowerment, and achieving the Sustainable Development Goals (SDGs).

#### **Southeast Asia & South Asia (Indonesia, Malaysia, Bangladesh, Pakistan)**

This region exhibits a progressive (high) level of Islamic finance penetration, particularly in Indonesia and Malaysia, into total national financial assets. In contrast, Bangladesh and Pakistan remain in the middle category. Macroeconomic conditions are relatively stable with moderate growth, supported by government policies favouring the Islamic finance sector and the availability of capital for the development of micro-institutions and Islamic banks. Regulation in the region is also well-established and integrated, as reflected in the role of the Financial Services Authority (Otoritas Jasa Keuangan/OJK) in Indonesia, Bank Negara Malaysia, and Bangladesh Bank, which provide a legal framework supporting gender inclusion, digitalisation, and instrument innovation. The main institutions operating include Islamic banks, microfinance institutions, waqf institutions, and Islamic crowdfunding platforms, with dominant instruments such as murabahah, salam, qard hasan, takaful, cash waqf, and Islamic crowdfunding. Recent literature emphasises the importance of women's empowerment, strengthening agribusiness, and integrating Islamic finance into national development strategies [49]–[51]. These findings are reinforced by financial performance reports, which indicate that Islamic finance penetration in Indonesia and Malaysia has reached approximately 10–30% of total national financial assets, while Bangladesh and Pakistan remain in the middle category [52]–[54].

#### **Middle East and Gulf (UAE, Jordan, Saudi Arabia)**

As noted, the penetration rate of Islamic finance in this region is moderate to high. Consistent with these findings, report that Islamic finance penetration ranges from 20–40% of total national banking assets, with the industry being commercially established but relatively limited in the development of social instruments [55]–[57]. Macroeconomic conditions are generally favourable, supported by a strong financial infrastructure and high institutional capacity, although regulatory orientation is more focused on commercial profitability. Regulation in this region is firm and clear, but focuses more on commercial transactions such as murabahah, ijarah, and sukuk. Dominant institutions include Islamic banks, takaful institutions, and sukuk issuers, while social instruments such as qard hasan and cash waqf are still in the development stage. Existing literature tends to emphasise aspects of financial performance and profitability, while studies related to gender inclusion, community finance, and social development are still very limited [58].

## Sub-Saharan Africa (Nigeria, Gambia, Cameroon)

This region exhibits low to medium penetration of Islamic finance, primarily serving as a means of financial inclusion in communities underserved by conventional banking. Macroeconomic conditions vary, often facing capital constraints, high inflation, and fragile market stability. Islamic financial regulation is still developing, with limited institutional capacity, but support is emerging for social instruments such as Islamic microfinance and community-based sukuk. The institutions analysed include Islamic microfinance, small-scale local Islamic banks, and zakat and waqf institutions. Dominant instruments include qard hasan, takaful, zakat, social sukuk, and Islamic microfinance. Literature in this region emphasises financial inclusion, poverty alleviation, and local community-based social empowerment [59]–[62].

## Cross-regional Synthesis

The distribution of the literature shows a predominance of publications originating from Southeast Asia and South Asia (51.61%), followed by Sub-Saharan Africa (25.81%), and the Middle East & Gulf (6.45%). The variety of Islamic financial instruments analysed includes commercial products (murabahah, salam), social instruments (qard hasan, cash waqf, zakat), Sharia-based protection (takaful), and innovative platforms (Islamic crowdfunding). This regional differentiation is determined by a combination of structural factors, market penetration level, macroeconomic capacity, regulation, and instrument preferences, which in turn shape development orientations: social inclusion in Africa, profitability in the Middle East, and gender integration and digital innovation in Southeast Asia and South Asia [63], [64].

To provide a more systematic overview, the results of this cross-regional synthesis are summarised in tabular form. Table 1 presents a regional profile of Islamic finance based on penetration levels, macroeconomic conditions, regulatory frameworks, dominant institutions and instruments, and research focus identified from the literature. This presentation aims to clarify contextual differences between regions and facilitate comparisons of Islamic finance development patterns in relation to social inclusion, profitability, and contribution to the SDGs.

**Table 1. Synthesis of Regional Profiles of Islamic Finance**

Region/ Country	Islamic Finance Penetration Level	Macroeconomic Conditions	Regulations & Policies	Dominant Institutions & Instruments	Literature Insights
<i>Southeast Asia &amp; South Asia (Indonesia, Malaysia, Bangladesh, Pakistan)</i>	High in Indonesia & Malaysia (>10–30% of financial assets), medium in Bangladesh & Pakistan	Moderate and stable growth, fiscal support, and access to sharia financing for MSMEs and agribusiness	Well-established and integrated regulations: OJK (Indonesia), BNM (Malaysia), Bangladesh Bank, State Bank of Pakistan	Islamic banks, microfinance, waqf, sharia crowdfunding; instruments: murabahah, salam, qard hasan, takaful, cash waqf, crowdfunding	The literature emphasises women's empowerment, strengthening agribusiness, and the integration of Islamic finance in national development.
<i>Middle East &amp; Gulf (UAE, Jordan, Saudi Arabia)</i>	Medium–high penetration (20–40% of national bank assets), dominant in	Strong economy based on oil and gas, diversification through Vision 2030	Strict regulations, focus on commercial transactions (murabahah, ijarah, sukuk);	Sharia banks, takaful, sukuk issuers; instruments: murabahah, ijarah, sukuk, qard hasan	The literature emphasises profitability and financial performance; research on gender and

	the commercial sector		social instruments are still limited	(initial), cash waqf (initial)	social inclusion is still minimal.
<i>Sub-Saharan Africa (Nigeria, Gambia, Cameroon)</i>	Low–medium penetration (<5–10%), focus on community financial inclusion	Fragile economy: high inflation, limited capital, weak market stability	Regulations are evolving, institutional capacity is limited, and starting to support social instruments	Sharia microfinance, small local Islamic banks, zakat and waqf; instruments: qard hasan, takaful, zakat, social sukuk	The literature emphasises financial inclusion, poverty alleviation, and community empowerment .
<i>Cross-regional Synthesis</i>	Dominance of publications in Southeast and South Asia (51.61%), Africa (25.81%), Middle East (6.45%)	Variations: Asia is stable, Africa is fragile, the Middle East is strong on an energy basis	Regulation varies: established (Asia), commercially assertive (Middle East), developing (Africa)	Cross-instruments: murabahah, salam, qard hasan, takaful, cash waqf, zakat, crowdfunding	Different development orientations: social inclusion (Africa), profitability (Middle East), gender and digitalisation (Asia).

### Analysis of Islamic Financial Institution Strategies

Strategic developments in Islamic finance are no longer limited to product-level innovation, but increasingly emphasise institutional, technological, and social mechanisms. Based on a synthesis of recent literature, the strategies of Islamic financial institutions can be mapped into five main clusters: (i) technology integration, (ii) inclusive and gender-responsive models, (iii) institutional synergy and regulatory innovation, (iv) sectoral and contractual implementation, and (v) cross-country synthesis and prospects. Additional dimensions such as sustainable agricultural financing strategies, Islamic financial literacy, business model innovation, and market expansion enrich the direction of Islamic financial policy towards a more inclusive, ethical, and resilient system.

### Technology Integration in Islamic Finance

Digitalisation and fintech are key instruments for expanding access and reducing transaction costs. Research shows that blockchain and AI improve transparency, transaction speed, and system efficiency. Meanwhile, emphasizes the role of fintech in expanding financial access for marginalised communities [65], [66].

Blockchain applications in zakat, waqf, and social sukuk, as well as the use of AI for risk profiling, have been shown to reduce information asymmetry. Meanwhile, Sharia-compliant crowdfunding platforms, particularly digital salam contracts for agricultural financing, strengthen the maqāṣid al-sharī'ah (obligatory obligations of sharia) by providing productive financing for the real sector. A summary of technology-based strategies can be seen in Table 2.

### Inclusive and Gender-Responsive Models

Gender-inclusive strategies are becoming increasingly relevant in expanding the legitimacy of Islamic financial institutions. Innovations such as cash waqf (musharakah), qardhul ḥasan (women's waqf), mobadala equity, and women's sharia crowdfunding are building a technology-based social financing ecosystem.

Despite serious obstacles such as low literacy, patriarchal cultural bias, and regulatory limitations, research shows that women's participation in the leadership of Islamic financial

institutions has a positive impact on the transparency and sustainability of these institutions [67]–[70]. Thus, gender-responsive finance strategies not only expand women's participation but also strengthen socio-economic stability and the achievement of the SDGs. A summary of gender-inclusive strategies can be seen in Table 2.

### Institutional Synergy and Regulatory Innovation

Strengthening institutional synergy through the integration of Islamic banks, cooperatives, and BMTs expands the reach of inclusive finance [71]. Zakat-waqf integration increases the capacity of productive social funds, while the implementation of a gender-based regulatory sandbox fosters the development of new products with controlled risks. Adaptive regulation, supported by Islamic financial literacy, is a key determinant of strategic success, particularly in the agriculture and MSME sectors. A summary of institutional and regulatory synergy can be seen in Table 2.

### Strategic Recommendations and Contractual Implementation

Sharia contracts remain at the heart of Islamic finance operations. Classic instruments such as Salam, Ijarah, and Waqf remain relevant in maintaining Sharia compliance while building trust. Meanwhile, examines the application of contracts in the agricultural sector, while assessing their impact on macroeconomic stability [72], [73].

Innovative models such as Salam–Muzārah Linked Waqf (SMW) and Bay-Salam with Takaful offer holistic solutions to mitigate agricultural risks [74]. Strategic recommendations are grouped into four main areas: a) Developing sustainable financing models for agriculture; b) Promoting Sharia financial literacy and farmer empowerment; c) Encouraging innovation in Sharia instruments and Asset-Liability Management (ALM) management. and d) Expanding market reach through literacy, promotion, and philanthropic integration strategies. A contractual and sectoral synthesis can be seen in Table 2.

**Table 2. Technology Integration, Gender Inclusivity, Institutional Synergy, and Sharia Contracts in Islamic Finance**

Focus/Strategy	Implementation / Description	Barriers	Impact & Objectives	References
Blockchain	Application in zakat, waqf, and social sukuk	–	Enhances transparency, efficiency, and reduces information asymmetry	Abiola-Adams et al. (2025)
AI Risk Profiling	Utilisation of artificial intelligence for financing risk analysis	–	Improves risk management and mitigates default risks	Abiola-Adams et al. (2025)
Sharia Crowdfunding	Digital salam contracts for agricultural financing	–	Provides productive financing and supports maqāṣid al-sharī'ah	Qudah et al. (2023)
Cash Waqf–Musharakah	Technology-enabled social financing model	Low literacy, patriarchal bias	Promotes women's participation and socio-economic stability	Al-Berto et al. (2025); Hazmi et al. (2025)
Qardhul Ḥasan for Women	Interest-free microcredit for Islamic female borrowers	Regulatory constraints	Expands financial inclusion for women	Haruna et al. (2024)

Sharia Crowdfunding for Women	Digital platforms supporting female entrepreneurship	Limited digital infrastructure	Expands access to capital and entrepreneurial opportunities	Trimulato & Syarifuddin (2024); Habibullah et al. (2023)
Integration of Islamic Banks, Cooperatives, and BMTs	Institutional synergy to expand outreach	–	Enhances access to inclusive Islamic financial services	Prayogi & Ramadhan (2024)
Integration of Zakat–Waqf	Productive management of Islamic social funds	–	Strengthens funding capacity and socio-economic sustainability	Al-Berto et al. (2025)
Gender-Based Regulatory Sandbox	Controlled innovation environment for gender-inclusive products	–	Fosters safe and innovative financial products	Al-Berto et al. (2025)
Islamic Financial Literacy	Training and education programs targeting MSMEs and agriculture	–	Improves strategic implementation success	Al-Berto et al. (2025); Prayogi & Ramadhan (2024)
Sustainable Agricultural Financing Models	Integration of salam, muzāra‘ah, and bay-salam with takaful for risk mitigation and productivity	–	Enhances agricultural productivity and resilience	Majid (2021); Atah et al. (2023)
Financial Literacy and Farmer Empowerment	Education programs and expanded access to Islamic microfinance for farmers	–	Improves literacy and farmer welfare	Prayogi & Ramadhan (2024)
Sharia Instrument Innovation and ALM	Development of mudharabah contracts and Sharia-based asset–liability management (ALM)	–	Strengthens financial stability and profitability	Ismail et al. (2024); Sarker et al. (2020)
Market Expansion and Philanthropic Integration	Value-based marketing and utilisation of zakat, infaq, sadaqah, and waqf (ZISWAF) as social instruments	–	Expands markets and supports socio-economic sustainability	Rahmayati (2021); Khan et al. (2021)

## Cross-Country Synthesis and Future Prospects

Cross-country analysis shows that strategies are not uniform: a) Southeast Asia: Digital integration and micro-inclusion are key to success; b) Middle East: Regulatory support and strong Islamic banking assets dominate; and c) Sub-Saharan Africa: Hybrid zakat-waqf models and the role of micro-finance institutions address limited formal access. Market expansion strategies emphasise sharia literacy, value-based marketing, and the use of Islamic philanthropy (zakat, infaq, sadaqah, waqf) as a social promotion instrument [76], [77]. Global initiatives such as the Oblong Road to Economic Development (OBOR) utilise Islamic finance as a supporting instrument for ethical infrastructure investment.

Thus, the strategies of Islamic financial institutions can be mapped into three main clusters: a) Digital technology integration → efficiency and profitability; b) Strengthening gender inclusion, literacy, and the agricultural sector → long-term stability; and c) Institutional synergy and adaptive regulation → systemic resilience.

Cross-country success is strongly influenced by institutional context, literacy levels, technological capacity, and regulatory adaptation. This synthesis emphasises the importance of future research and policy directions that emphasise three main pillars: profitability, stability, and inclusion, as the foundation for global Islamic financial development. Consistent implementation of this strategy can strengthen the role of Islamic financial institutions as drivers of sustainable economic growth and instruments of social justice.

## **Mapping Gender Inclusion and Women's Economic Participation**

In an effort to understand the dynamics of Islamic finance more comprehensively, attention is focused not only on the financial aspects and industry growth, but also on the social and sustainability dimensions. One important perspective is gender inclusion, which emphasizes the role of women's participation in the Islamic financial system and its implications for the sector's profitability and sustainability [78]. This strategic approach allows for a more holistic analysis of how integrating social and financial perspectives can strengthen the Islamic financial ecosystem.

## **Women's Participation and the Link to Islamic Financial Profitability**

Women's participation in the Islamic financial system remains a crucial dimension of economic inclusion, particularly in the rural and micro-enterprise sectors. Women's involvement through Islamic financial institutions—Islamic banks, rural cooperatives (BMT), and microfinance institutions—not only promotes social justice and gender equality but also positively impacts the profitability of these institutions. Programs targeting rural women and micro-entrepreneurs, such as financial literacy, Qardhul Hasan (Islamic endowment), crowdfunding, and productive waqf (waqf), increase access to capital and ethical business opportunities [79], [80].

The integration of gender inclusion with profitability strategies can be seen in three key factors for the success of Islamic finance: a) Innovation in Islamic financial instruments to maintain stability and expand access to financing; b) Integration with the agricultural sector and MSMEs, to improve the welfare of farmers and entrepreneurs through Sharia-based business models; and c) Implementation of a flexible and effective sharia contract model to support financing for micro-enterprises and other strategic sectors.

## **Islamic Financial Instrument Innovation and Financial Stability**

Islamic financial instruments such as Sukuk, Mudharabah, Murabahah, Salam, and Ijarah play a crucial role in maintaining financial stability and increasing access to financing across various economic sectors. Research shows that a combination of these instruments can optimise asset and liability management (ALM), support the stability of financial institutions, and expand global market share [81], [82].

Technological innovations, such as blockchain and artificial intelligence (AI), open new opportunities for efficiency and transparency in Islamic transactions. However, key challenges remain related to regulation and user literacy, making the development of adaptive policies and increasing Islamic financial literacy key to the sustainability of Islamic financial instruments.

## **Integrating Islamic Finance with the Agricultural Sector**

Integrating Islamic finance with the agricultural sector offers an inclusive and equitable solution to improve farmer productivity and welfare. Sharia-compliant business models align with traditional sustainable agricultural practices and local wisdom. A study demonstrated the importance of Sharia-compliant financial literacy for farmers to access equitable financing.

Innovative schemes such as Cash Waqf or Salam-Muzara'ah Linked Waqf (SMW) enable sustainable financing and minimise the risk of crop failure through the integration of Sharia-compliant agricultural insurance [83], [84]. With this approach, Islamic finance not only offers a fair financing mechanism but also strengthens farmers' economic resilience and the sustainability of the agricultural sector.

### Sharia-Based Contract Models and Their Implementation

Sharia-compliant contract models such as Salam, Muzara'ah, Musharakah, Murabahah, and Ijarah provide flexibility and fair access to financing for MSMEs and the agricultural sector. For example, Salam contracts allow farmers to obtain capital at the start of the planting season by selling their harvests in advance, reducing the risk of operational funding shortages. Muzara'ah contracts increase the productivity of suboptimal waqf land through a profit-sharing system between landowners and cultivators.

Contract diversification, such as the integration of Musharakah, Murabahah, and Istisna, increases the effectiveness of financing according to specific business needs, from working capital to long-term investments, while adhering to Sharia principles [85].

### Synergy Between Gender Inclusion, Profitability, and Sustainability

The Islamic financial approach not only emphasises Sharia principles and asset growth but also highlights crucial social aspects, including gender inclusion. Women's participation in the Islamic financial ecosystem can significantly impact institutional profitability and the sustainability of the sector as a whole. This integration of social and financial dimensions creates a synergy that supports the development of a more inclusive, resilient, and sustainable industry.

Table 3 below summarises the integration of the gender inclusion approach with Islamic financial profitability factors, providing an overview of how women's participation and inclusive strategies can strengthen the performance of Islamic financial institutions.

**Table 3. Integration of Gender Inclusion in Islamic Finance Profitability Strategies**

Strategic Factor	Dimension	Example of Implementation	Impact on Profitability & Sustainability
Financial Instrument Innovation	Sukuk, Mudharabah, Murabahah, Salam, Ijarah	Optimisation of ALM, fintech applications, and blockchain	Institutional stability and expanded access to financing
Agricultural Sector Integration	Cash waqf, Salam–Muzāra'ah	Financing for farmers and MSMEs	Improved farmer welfare, food security, and growth of strategic sectors
Flexible Sharia Contracts	Salam, Muzāra'ah, Musharakah	Profit-sharing and working capital financing	Equitable capital access, financial inclusion, and Sharia compliance
Gender Inclusion	Financial literacy, women-focused programs	Qardhul Hasan, crowdfunding, productive waqf	Enhanced women's participation and socio-economic empowerment
Literacy & Education	Islamic financial education	Training for farmers and MSMEs	Efficient financing utilisation, risk mitigation, and improved profitability
Technology & Digitalization	Peer-to-peer lending, fintech platforms	Crowdfunding, digital payment systems	Efficient transactions, enhanced transparency, and global market outreach

The synergy between instrument innovation, agricultural sector integration, flexible Sharia contracts, and gender inclusion creates a stable, inclusive, and sustainable Islamic

financial ecosystem. Contributions to SDGs, such as gender equality (SDG 5), decent work and economic growth (SDG 8), and reduced inequality (SDG 10), demonstrate that the profitability and sustainability of Islamic finance can be achieved simultaneously with equitable socio-economic development goals [86].

### **Future Prospects and Trends**

The prospects for Islamic finance in the agricultural and strategic industrial sectors are increasingly promising, particularly in: a) Food security and sustainable agriculture, through the AVCF and SMW models; b) Development of the halal industry, as a business ecosystem aligned with Sharia principles; c) Digital transformation, with fintech, blockchain, and AI innovations to increase inclusion and efficiency; d) Ethical and sustainable investment, including green Sukuk, productive waqf, and zakat as socio-economic instruments; and e) Regional and global expansion, extending the reach of Islamic finance to non-Muslim countries and increasing inclusive economic growth [87]. With this integrated strategy, Islamic finance can become a stable, inclusive, ethical, and sustainable global financial system, while empowering women and the micro-sector and supporting Sharia-based economic development.

### **The Relationship Between Gender Strategy and Institutional Profitability**

Literature analysis shows that gender empowerment strategies in financial institutions, particularly Islamic financial institutions, have a significant correlation with institutional profitability and stability. Research in Organisation of Islamic Cooperation (OIC) countries and Southeast Asia indicates that increasing gender inclusion, particularly through women's participation on boards of directors and in decision-making processes, positively impacts institutional financial performance [88]. These findings confirm that gender strategies are not only socially and ethically relevant but also have tangible financial impacts.

### **Women's Contribution to Institutional Productivity and Stability**

Women in managerial positions or on boards of directors play a crucial role in driving innovation, transparency, and more effective risk management. Recent literature identifies several key mechanisms. First, innovation in Islamic financial products and strategies: Women's involvement in decision-making has been reported to encourage innovation in Islamic financial instruments, such as Mudharabah, Bay' Salam, and Ijara, which in turn improves access to financing and the financial stability of institutions.

Second, impact on profitability: The presence of women on boards of directors has been reported to increase Return on Assets (ROA) and Net Profit Margin (NPM) through more prudent asset-liability management and strict internal oversight. Third, stability and diversification: Women also encourage diversification of productive sector financing and the integration of flexible sharia contracts, thereby reducing concentration risk and volatility in institutional profitability [89].

### **Gender Inclusion Strategies in Islamic Financial Institutions**

Based on cross-country studies, several strategies have been identified as effective in increasing women's contributions in Islamic financial institutions. First, the role of women on boards. The addition of female members to boards of directors or risk committees has been reported to improve the quality of inclusive and sustainable strategic decision-making.

Second, increasing Islamic financial literacy. Special educational programs for women have been shown to expand their access to productive financial instruments and enhance their ability to participate in Islamic financial management. Third, participatory decision-making. Participatory decision-making models enable women to contribute risk

management perspectives and innovation, which positively impacts the institution's profitability and sustainability.

### **The Impact of Gender Strategy on Profitability**

Gender empowerment strategies have been proven to positively impact the profitability of Islamic financial institutions through several key mechanisms. First, operational efficiency increases because women's involvement in management and internal supervision encourages more effective cost management and increases Return on Assets (ROA) and Return on Equity (ROE). Second, product and market innovation is stimulated, as women play a role in identifying new market needs, including the development of Islamic micro-instruments, thereby expanding product diversification and increasing institutional revenue. Third, institutional sustainability and reputation are also strengthened, as gender inclusion strengthens the institution's image as a fair, inclusive, and sustainable institution, which in turn increases customer loyalty and drives long-term business growth [90].

### **Dimensions of Profitability of Islamic Financial Institutions**

A systematic review of 89 articles published between 2020 and 2025 revealed three main sub-dimensions related to the profitability of Islamic financial institutions. First, profitability patterns in Islamic financing schemes indicate that Bay' Salam, Ijara, and Mudharabah contracts are capable of generating high returns, particularly in the agricultural and MSME sectors, where integration with value chain financing and the application of risk-sharing principles strengthen sustainability compared to conventional credit systems. Second, sector and institutional performance also influence profitability; higher performance is recorded in Southeast Asia and the GCC countries due to regulatory alignment, fiscal incentives, and product innovation responsive to market needs. Third, women's empowerment is a crucial factor, with women's participation increasing in the microfinance sector, although significant disparities remain in access, ownership, and leadership roles.

### **Sharia Instruments and Profitability Impact**

Various Sharia financial instruments have been shown to significantly contribute to institutional profitability. Bay' Salam, used as pre-harvest financing in the agricultural sector, helps mitigate price risk and ensures stable cash flow for farmers. Ijara, a form of halal asset leasing for micro, small, and medium enterprises, supports capital formation and business expansion. Mudharabah, a profit-sharing investment partnership, increases the efficiency of capital allocation and potential returns for institutions. Qardhul Hasan, an interest-free microloan specifically targeted at women entrepreneurs, promotes financial inclusion and women's economic empowerment. Furthermore, Islamic Crowdfunding, a peer-to-peer digital platform, provides access to funding for MSMEs and women, while simultaneously diversifying portfolios and increasing institutional profitability.

### **Innovation Strategy and Institutional Synergy**

Innovative and collaborative strategies play a critical role in enhancing the effectiveness of Islamic financial institutions. The integration of technologies such as blockchain, artificial intelligence (AI), and the Bay Salam digital platform improves transparency, operational efficiency, and expands access to financing for the productive sector. Gender-inclusive models, including Mobalada, Cash Waqf-Musharakah, and Qardhul Hasan, based on microfinance, significantly increase women's participation, although challenges related to financial literacy and social barriers still need to be addressed. Furthermore, institutional and regulatory synergy through collaboration between Islamic banks, farmer cooperatives, BMTs (Islamic banks), and zakat and waqf institutions supports the efficient distribution of

productive capital, in line with the Sustainable Development Goals (SDGs) and the principles of long-term sustainability [91].

A gender empowerment approach integrated with technological innovation and institutional synergy has a synergistic effect on the profitability, stability, and sustainability of Islamic financial institutions. The combination of financial literacy, digitalisation, gender inclusion mechanisms, and inter-institutional collaboration forms the foundation for a more inclusive, adaptive, and regionally and globally development-oriented Islamic financial system.

To summarise the findings discussed, Table 4 below presents a synthesis of the relationship between gender empowerment strategies and the profitability of Islamic financial institutions. The table highlights the key mechanisms, the financial instruments involved, and the impact on the financial performance and sustainability of the institutions. This presentation facilitates a comprehensive understanding of how gender inclusion not only encourages women's participation but also strengthens the profitability and stability of institutions.

**Table 4. Relationship between Gender Strategies and Profitability of Islamic Financial Institutions**

Aspect	Mechanism/Strategy	Impact on Profitability	Source
Women's Contribution	Participation in boards/managerial roles	Product innovation, transparency, improved risk management, higher ROA, and NPM	Majid & Sukmana, 2023; Wahyuni et al., 2023
Gender Inclusion Strategies	Financial literacy, participatory decision-making	Increased financing access, inclusive strategic decisions, and sustainable profitability	Umam et al., 2024; Al-Berto et al., 2025
Sharia Instruments	Bay' Salam, Ijārah, Mudharabah, Qardhul Hasan, Islamic crowdfunding	Enhanced productivity, risk mitigation, MSME development, and women's empowerment	Majid, 2021; Kountchou et al., 2025
Technological Innovation	Blockchain, AI, digital Bay' Salam	Improved transparency, efficiency, and broader access to financing	Yasmeen et al., 2024; Majid & Sukmana, 2023
Institutional and Regulatory Synergy	Collaboration among Islamic banks, cooperatives, BMTs, and zakat/waqf institutions	Efficient distribution of productive capital, support for SDGs, and sustainability	Rahman et al., 2022; Trimulato & Syarifuddin, 2024

## **Inclusive and Region-Based Islamic Finance for Sustainable Development**

### **Region-Specific Inclusive Models**

Islamic finance models tailored to regional conditions have demonstrated significant effectiveness in addressing spatial inequality and enhancing local economic resilience. Unlike standard financial products, these models are tailored to the socio-economic realities of specific communities, particularly smallholder farmers, rural women, and micro-entrepreneurs. By embedding financial instruments within local governance and cultural frameworks, these models ensure greater relevance, accessibility, and development impact.

Notable examples include Islamic Agricultural Value Chain Finance (AVCF), which supports Islamic financing from the production stage to market access; waqf-based rural banks, which mobilise waqf funds to reach unbanked populations; and Islamic Green Microfinance, which integrates environmental considerations into rural financing schemes. These innovations underscore the growing role of Islamic finance as a place-based

development tool, extending beyond its primary function as a faith-based economic system. Region-specific Islamic finance models and their contribution to territorial inclusion are presented in Table 5 below.

**Table 5. Region-Specific Islamic Finance Models for Territorial Inclusion**

Model	Region/Context	Inclusive Features	Source
Islamic AVCF (Value Chain Finance)	Rural Indonesia, Bangladesh	Linking farmers to markets through Salam/Ijārah contracts	Majid & Sukmana (2023); Alam et al. (2022)
Community-Based Waqf Bank	Gambia, Nigeria	Microcredit utilising local waqf assets	Senghore (2023); Bello (2022)
Islamic Green Microfinance	South Asia, OIC Africa	Integrating sustainability with poverty reduction	Harahap et al. (2023); Rahman et al. (2022)
Gender-Specific Rural Lending Scheme	Indonesia, Malaysia	Women’s financing through synergy between BMTs and zakat institutions	Hazmi et al. (2025); Trimulato & Syarifuddin (2024); Haruna et al. (2024)

In West Africa, Community-Based Waqf Banks have emerged as an inclusive mechanism, mobilising waqf assets to support microcredit schemes for underbanked rural populations. Similarly, Islamic Green Microfinance integrates environmental sustainability into poverty alleviation initiatives, funds environmentally friendly businesses, and encourages the use of renewable resources. Gender-specific rural financing schemes in Indonesia and Malaysia leverage synergies between Baitul Maal wat Tamwil (BMT) and zakat institutions to provide targeted financing to women entrepreneurs, addressing limited financial access and socio-cultural barriers.

### Alignment of Islamic Finance with the Sustainable Development Goals (SDGs)

Islamic financial instruments—including zakat, productive waqf, green sukuk, and qardhul hasan—are increasingly recognised for their alignment with the SDGs. In addition to being ethical finance, these instruments strategically contribute to key development priorities, particularly in regions impacted by spatial inequality and institutional exclusion. The ethical framework of maqasid al-shariah, which emphasises the preservation of life, intellect, progeny, property, and religion, aligns with the normative vision of the SDGs. Table 6 displays the alignment of Islamic financial instruments with the SDGs and their territorial contributions.

**Table 6. Alignment of Islamic Financial Instruments with the SDGs and Sustainable Development**

Islamic Instrument	Related SDGs	Territorial Contribution	Source
Zakat	SDGs 1, 10	Poverty alleviation and spatial redistribution	Rahman et al. (2022)
Productive Waqf	SDGs 9, 11	Community-based infrastructure and social capital	Harahap et al. (2023)
Green Sukuk	SDGs 7, 13	Financing sustainable energy and climate adaptation	Alam et al. (2022); Yasmeen et al. (2024)
Qardhul Hasan	SDGs 5, 8	Women’s empowerment and support for MSMEs in the informal sector	Kountchou et al. (2025); Bello (2022)

The integration of these instruments enables inclusive, spatially equitable, and sustainable development. For example, zakat facilitates redistributive transfers targeting marginalised rural and urban areas; productive waqf builds community assets; green sukuk

funds renewable energy projects; and qardhul hasan supports women entrepreneurs and informal sector workers.

### **Key Determinants of Profitability and Sustainability in Islamic Finance**

The analysis indicates that the profitability and sustainability of Islamic finance in the agricultural sector and other strategic domains are primarily shaped by three key factors: (a) innovation in Islamic financial instruments, (b) integration with the agricultural sector, and (c) the implementation of Shariah-based contractual models.

First, with regard to innovation in Islamic financial instruments, instruments such as Sukuk, Mudharabah, Murabahah, and Ijarah contribute significantly to financial stability and the expansion of financing access. Technological innovations, including blockchain and artificial intelligence, further enhance efficiency, although they require strong regulatory support and adequate financial literacy initiatives.

Second, the integration of Islamic finance with the agricultural sector improves farmers' welfare through Shariah-compliant business models. Innovative approaches such as cash waqf and Salam–Muzāra'ah contracts expand access to capital while embedding local wisdom and sustainability principles. Finally, the implementation of Shariah-based contractual models—including Salam, Muzāra'ah, Musharakah, and Ijarah—provides flexible financing solutions for microenterprises, fostering productivity while ensuring adherence to Shariah principles.

### **Strategic Directions for the Improvement of Islamic Finance**

Based on research findings, the strategic directions for the strengthening and sustainable growth of Islamic finance can be categorised into four main areas. First, the development of sustainable agricultural business and financing models is a fundamental element. The integration of micro-institutions such as BMTs and cooperatives with Islamic financial schemes, including Salam-Takaful and the Salam-Muzara'ah Waqf model, has been shown to expand access to financing while increasing the resilience of the agricultural sector. Second, improving Islamic financial literacy and empowering farmers is essential to enable agricultural businesses to optimally utilise Islamic instruments. Good literacy not only reduces dependence on conventional financial services but also strengthens the economic independence of local communities.

Furthermore, the third factor is innovation in technology-based financial models, which includes the application of digital technology, strengthening Islamic asset and liability management, and the development of sophisticated contracts such as Mudharabah, Salam, and Ijarah. These efforts have been proven to increase profitability, financial system stability, and expand inclusion. Finally, the sustainability of Islamic finance is also supported by innovative expansion and marketing strategies. A values-based approach, integration with fintech, and public education programs enable the Islamic financial system to reach a wider audience, including in non-Muslim regions, while promoting inclusive and ethical financial principles. Thus, these four strategic directions emphasise that the success of Islamic finance in supporting sustainable development is determined not only by the financial instruments used but also by literacy capacity, technological support, and the effectiveness of cross-regional marketing strategies.

### **Future Prospects for Islamic Finance**

The prospects for Islamic finance show several promising trends for sustainable economic development. First, the agriculture and food security sectors are a primary focus, with the development of sustainable financing through Sharia-compliant AVCF and P2P crowdfunding models proven to strengthen food security and promote financial access for farmers. Second, the development of the halal industry offers significant opportunities,

particularly in supporting halal production, distribution, and supply chains, including international market penetration.

Furthermore, digital transformation through the use of fintech plays a key role in increasing efficiency, transparency, and financial inclusion. This digital innovation expands the reach of Islamic financial services while improving the speed and accuracy of transactions. Aligned with the global development agenda, Islamic financial instruments can also contribute to the achievement of the Sustainable Development Goals (SDGs), including poverty eradication, gender equality, and adaptation to climate change, thus supporting inclusive and sustainable development.

Furthermore, the adoption of Islamic finance at the regional level, as seen in developing countries including Nigeria, confirms the potential for global expansion, although regulatory challenges and technological infrastructure remain limiting factors. Overall, regionally tailored and Sharia-compliant Islamic financial instruments, when combined with local wisdom, innovative contracts, and digital technology, offer a robust framework for inclusive, sustainable, and responsive development to regional needs.

### Identification of Best Practices and Strategic Recommendations

Based on the analysis of global literature and case studies from various countries, four (4) best practices and strategies have been proven to increase the profitability of Islamic Financial Institutions (IFIs) while strengthening gender inclusion and their contribution to sustainable development. A summary of these best practices is presented in Table 7.

**Table 7. Best Practices and Strategic Recommendations – Islamic Financial Instruments, Institutional Mechanisms, and Gender-Inclusive Strategies for Profitability and Sustainability**

Islamic Financial Instruments / Practices	Institutional Mechanisms	Gender-Inclusive Strategies	Impact on Profitability and Sustainability
Sukuk, Murābahah, Musharakah, Ijarah, Salam	Responsive regulation and digital technologies	Expanding access to women's financial products	Income stability, broader customer base, enhanced operational efficiency
Shariah-based MSME and agricultural financing (Salam, Muzārah, Musharakah)	Community oversight and local institutional support	Empowerment of women farmers and MSME entrepreneurs	Higher agricultural productivity, reduced credit risk, and improved profitability
Shariah-compliant crowdfunding and fintech	Digital infrastructure and transaction security	Involving women as business owners and investors	Expanded market outreach, improved operational efficiency, and increased institutional revenues
Islamic social funds (Zakat, Waqf, Infaq, Sadaqah)	Structured fund management and transparent governance	Women- and community-focused empowerment programs	Strengthened socio-economic sustainability, improved institutional reputation, and reduced social risks
Islamic financial literacy and economic education	Continuous education and training programs	Enhancing women's capacity to manage capital and financing	Lower credit risk, improved fund management, and stronger contributions to profitability
Women's representation in management and governance	Gender-inclusive policies and strong governance	Women's involvement at strategic decision-making levels	Enhanced transparency, accountability, and quality of investment and financing decisions

Region-based strategic integration	Context-specific adaptation of financial instruments	Tailoring programs to the needs of women and local communities	Optimised use of local resources, increased institutional competitiveness, and support for sustainable development
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## Best Practices for Improving Profitability and Gender Inclusion

Several best practices have been proven to increase the profitability of Islamic financial institutions while promoting gender inclusion. One key factor is the development of innovative Islamic financial instruments, such as Sukuk, Mudharabah, Murabahah, Salam, Ijara, and Musharakah. These instruments not only strengthen financial stability and expand access to financing but also increase institutional profitability. The use of financial technology, including fintech, blockchain, and artificial intelligence, further enhances operational efficiency and service accessibility.

Furthermore, Sharia-compliant financing models for agriculture and MSMEs play a strategic role in economic empowerment. Contracts such as Salam, Muzara'ah, and Musharakah provide flexibility and fairness in financing micro and small enterprises, significantly improving farmer welfare and agricultural sector productivity.

A gender-inclusive approach has also proven effective in expanding women's economic participation. Access to productive capital through qardh hasan, musharaka, waqf, and sharia crowdfunding increases women's involvement in economic activities, expands the customer base, and ultimately supports the profitability of Islamic financial institutions.

Furthermore, Islamic financial literacy and women's economic education are crucial foundations for the sustainability of these institutions. Education and training programs that emphasise Sharia principles strengthen women's ability to manage finances, reduce credit risk, and improve the operational sustainability of financial institutions.

## Institutional Mechanisms that Support Sustainability and Equity

The successful implementation of Islamic finance strengthening strategies relies heavily on strong and sustainable institutional mechanisms. One crucial aspect is strengthening regulations and technological infrastructure. Gender-responsive regulations, combined with the inclusive use of digital technology, promote transparency, accountability, and effectiveness in Sharia-compliant financial services, including crowdfunding platforms and Islamic fintech.

Furthermore, the involvement of women in leadership and oversight has been shown to improve the quality of governance and transparency of institutions. Women's representation in managerial and supervisory positions not only strengthens internal governance but also improves the quality of sustainability reports, which directly impacts the profitability of financial institutions [92].

Another equally important aspect is the integration of social and community approaches. Traditional participatory methods, such as the duduak baropok (community fund) in Indonesia, strengthen social solidarity, build trust at the local level, and support women's access to finance and technology.

Finally, optimising Islamic social funds through zakat, infaq, sedekah, and waqf (Islamic endowments) plays a strategic role in poverty alleviation and women's economic empowerment. These instruments not only serve as a source of social financing but also ensure the socio-economic sustainability of more inclusive communities.

## Policy Recommendations and Strategies Adaptable to Other Countries

Based on the best practices and institutional mechanisms described, several policy and strategy recommendations can be adapted to other countries to strengthen the development

of Islamic finance. First, improving women's Islamic financial literacy and capacity through training programs, mentoring, and entrepreneurship education tailored to local social and cultural contexts is crucial. This approach strengthens women's ability to manage finances, encourages economic participation, and enhances institutional sustainability.

Strengthening regulations and technological infrastructure is necessary to support digital financial inclusion, ensure transaction security, and expand access to Islamic-based financing. Women's representation at managerial and supervisory levels should also be encouraged, as their involvement strengthens institutional governance, accountability, and profitability [93].

Furthermore, developing community-based Islamic financing models and social inclusion, including the integration of Islamic crowdfunding and socio-financial intermediation, can effectively empower MSMEs and the agricultural sector. Optimising Islamic social funds through zakat, infaq, sadaqah, and waqf is also crucial to support women's empowerment programs, farmer welfare, and sustainable development, in line with the principles of maqasid al-shariah.

Finally, promoting cross-country adaptation through case studies, benchmarking best practices, and regional and global collaboration can strengthen innovation, inclusion, and profitability of Islamic financial institutions. This approach emphasises that the combination of literacy, regulation, technology, women's participation, and the utilisation of social funds can serve as a strategic framework for the development of sustainable and inclusive Islamic finance across various national contexts.

### **Inclusive and Regionally Based Islamic Finance for Sustainable Development**

An inclusive and regionally context-sensitive Islamic finance strategy holds significant potential for supporting sustainable development. One of its key contributions is food security and sustainable agriculture, which can be achieved through agricultural value chain financing models, such as AVCF, as well as Islamic fintech innovations that streamline capital access and enhance local economic resilience.

Furthermore, this strategy also encourages the growth of the halal sector and the creative economy, particularly in regions with large Muslim populations, while opening up global market opportunities for Sharia-compliant products and services. Inclusive Islamic finance also plays a role in achieving the Sustainable Development Goals (SDGs) through the integration of social financing, economic sustainability, and women's empowerment, thus supporting fair and equitable development [94].

In addition to socio-economic aspects, digital and technology-based innovations contribute to improving the efficiency, transparency, and competitiveness of Islamic financial institutions, both regionally and globally. Thus, the combination of innovative financial instruments, gender inclusion strategies, robust institutional mechanisms, and region-based adaptations constitutes best practices that not only boost institutional profitability but also ensure Islamic finance's comprehensive contribution to sustainable development.

### **Discussion**

Cross-country analysis shows that the characteristics and implementation of Islamic finance are strongly influenced by macroeconomic conditions, regulatory frameworks, market penetration, and institutional capacity. In Southeast and South Asia, including Indonesia and Malaysia, Islamic finance penetration is relatively high, reaching 10–30% of total national financial assets, supported by well-established regulations, economic stability, technological innovation, and inclusive institutions. These conditions encourage gender inclusion, financial literacy, and the integration of productive sectors such as

agriculture and MSMEs, suggesting that economic stability and a clear legal framework are key determinants of the success of Islamic finance practices.

Conversely, in the Middle East and the Gulf region, despite relatively moderate to high penetration of Islamic finance (20–40%), the institutional focus is predominantly on commercial profitability, resulting in limited capacity for social instruments and women's empowerment. Strategic competitive analysis of Islamic banking organisations, such as Dubai Islamic Bank, highlights how institutional strategies prioritise profitability, risk management, and market positioning, which aligns with this regional pattern. In Sub-Saharan Africa, Islamic finance penetration is low–medium (<5–10%) and institutional capacity is weak, necessitating a hybrid model based on zakat, waqf, and microfinance to reach marginalised communities, emphasising the need for strategies tailored to local contexts [95].

The integration of digital technologies, including blockchain, artificial intelligence (AI), and Sharia-compliant crowdfunding platforms, has been shown to improve efficiency, transparency, and service reach. Blockchain and AI facilitate better risk management and reduce information asymmetry, while crowdfunding supports productive financing in the real sector. Digitalisation also strengthens women's empowerment through financial access, financial literacy, and Sharia-compliant entrepreneurship in rural and micro-communities.

Women's participation in governance and decision-making, including at the board level, improves instrument innovation, transparency, risk mitigation, and institutional profitability. Gender-inclusive strategies—including financial literacy, Qardhul Hasan financing, and women-focused crowdfunding—strengthen financial access, diversify products, and enhance institutional reputation, in line with the SDGs related to gender equality (SDG 5), decent work (SDG 8), and reduced inequality (SDG 10).

Furthermore, the integration of Islamic finance with the productive sector through Salam-Muzara'ah contracts, cash waqf, and MSME financing enables sustainable funding while mitigating the risk of crop failure, demonstrating Islamic finance's contribution to local economic resilience [96]. Synergy between institutions—Islamic banks, BMTs, cooperatives, and zakat/waqf institutions—distributes productive capital efficiently, while gender-based regulatory sandboxes and literacy support inclusive and safe product innovation.

These findings emphasise that effective Islamic finance strategies must adopt a holistic approach, integrating profitability, social inclusion, women's empowerment, and sustainability. Current studies tend to examine these dimensions separately; a research gap remains in understanding the combined impact of gender inclusion, sectoral integration, and technological innovation on sustainable Islamic finance outcomes across regional contexts. Addressing this gap will expand the global reach of Islamic finance and support sustainable development in line with the principles of maqāṣid al-sharī'ah.

## CONCLUSION

A synthesis of Islamic finance literature for the 2020–2025 period reveals significant variations in characteristics, strategies, and implementation across regions. In Southeast and South Asia, including Indonesia and Malaysia, Islamic finance penetration is relatively high (10–30% of total national financial assets), supported by mature regulations, economic stability, instrument innovation, and inclusive institutions. This region emphasises digital integration, financial literacy, women's empowerment, and linkages with productive sectors such as agriculture and MSMEs. In the Middle East and the Gulf region, the primary focus of Islamic financial institutions is on profitability and strengthening Islamic bank assets, with medium–high penetration (20–40%), while capacity for social and gender instruments remains limited. Conversely, in Sub-Saharan Africa, financial penetration is relatively low to medium (<5–10%) and institutional capacity is weak, making community-based approaches, zakat, waqf, and microfinance crucial for promoting social inclusion, poverty

alleviation, and empowering marginalised communities. Successful strategies for modern institutions that integrate these diverse contexts include the integration of digital technology, inclusive and gender-responsive models, institutional synergy and adaptive regulations, the implementation of sectoral contracts (e.g., Salam-Muzara'ah and MSME financing), asset-liability management, and cross-border expansion. This combination of approaches strengthens operational efficiency, financial stability, and inclusive access for all communities. Women's involvement in strategic decision-making has been shown to increase instrument innovation, risk mitigation, financing diversification, and institutional profitability. The integration of gender inclusion with the productive sector, financial literacy, technological innovation, and Sharia-compliant contracts creates synergies that strengthen local economic resilience and support the achievement of the SDGs related to gender equality (SDG 5), decent work and economic growth (SDG 8), and reduced inequality (SDG 10). Overall, Islamic finance has the potential to become a stable, inclusive, ethical, and sustainable global financial system if digital strategies, gender responsiveness, and adaptive regulations are consistently implemented. The contribution of this research lies in the cross-regional mapping of the relationship between institutional strategy, instrument innovation, women's participation, and profitability, as well as its implications for Sharia-based economic development.

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### **Author Contribution**

The research and manuscript preparation were conducted through collaborative work among all authors. Dahlifah and Hasddin, as lead authors, were primarily responsible for the conceptual framework, research design, data analysis, and preparation of the main manuscript draft. Lapipi, and Uun Sunarsih contributed to the literature review, methodological refinement, and validation of analytical results. Munir and other team members provided support in translation, technical assistance, critical review, editing, and financial facilitation necessary for the completion of the study. All authors have read, revised, and approved the final version of the manuscript.

### **Conflicts of Interest**

The authors affirm that there are no commercial, financial, or personal relationships that could be perceived as potential conflicts of interest in this research.

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