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THE URGENCY OF SHARIA COMPLIANCE IN THE ISLAMIC ECONOMIC SYSTEM IN INDONESIA (A Critical Review of the Role of DSN MUI Fatwas in Realizing Synchronized National Regulations)

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Abstract

This study examines the urgency of sharia compliance as a foundational element in strengthening the credibility, sustainability, and public trust in Islamic economic institutions in Indonesia. Sharia compliance is not merely a formal legal requirement but serves as a normative and strategic instrument rooted in the principles of maqāṣid al-syarī'ah, emphasizing justice, transparency, accountability, and the protection of wealth and public welfare. The research highlights the central role of the National Sharia Council–Indonesian Ulema Council (DSN-MUI) in issuing fatwas that guide the operational practices of Islamic financial institutions, as well as the importance of harmonizing these fatwas with national regulations issued by the Financial Services Authority (OJK) and Bank Indonesia.

The findings reveal several challenges in aligning DSN-MUI fatwas with state regulation, including normative dualism between Islamic law and positive law, structural differences in institutional priorities, and practical limitations within Islamic financial institutions in implementing fatwa-based governance. These challenges contribute to regulatory gaps and inconsistencies that may undermine the integrity of Islamic finance operations. The study emphasizes the need for strengthening sharia governance through empowering Sharia Supervisory Boards (DPS), enhancing institutional capacity, improving regulatory integration, and utilizing digital technologies for transparent and efficient sharia supervision.

Furthermore, the research underscores that effective harmonization between fatwas and state regulations requires continuous collaboration among DSN-MUI, OJK, BI, policymakers, and academia. The study concludes that sharia compliance is essential not only for institutional legitimacy but also for achieving the broader goals of Islamic economics, such as justice, welfare, and economic empowerment. Ultimately, sharia compliance should be understood as a comprehensive normative and regulatory framework that ensures the competitiveness and sustainability of Indonesia's Islamic financial system in both national and global contexts.

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Introduction

Sharia compliance is the primary foundation for maintaining the integrity of the Islamic economic system. Without adherence to Sharia principles, the Islamic economic system will lose its fundamental identity (its normative distinction) compared to conventional economic systems. Furthermore, Sharia compliance also serves as a protection mechanism for Muslim consumers, as it ensures that the products, services, and financial instruments offered are truly in line with Islamic values (Zulham, 2022).

Indonesia, as the country with the largest Muslim population in the world, holds a strategic position in the development of the global Islamic economy. This potential can only be realized if Islamic economic governance is implemented with strong and consistent Sharia compliance standards (Komite Nasional Ekonomi dan Keuangan Syariah (KNEKS), 2021). In this context, the National Sharia Council of the Indonesian Ulema Council (DSN-MUI) plays a central role. Since its establishment in 1999, the DSN-MUI has issued hundreds of fatwas, which serve as guidelines for regulators and industry players in designing sharia products and services. These fatwas are then transformed into regulations by the Financial Services Authority (OJK) and Bank Indonesia, thus giving them legally binding force (Otoritas Jasa Keuangan (OJK), 2020).

The development of the Islamic financial industry in Indonesia is showing a positive trend. According to data from the Financial Services Authority (OJK), Islamic banking assets reached IDR 811.41 trillion as of June 2023, with a market share of approximately 6.78% of total national banking assets, a significant increase compared to the previous year (Otoritas Jasa Keuangan (OJK), 2023). This fact demonstrates that Islamic finance continues to grow and requires increasingly robust Sharia-compliant governance. However, this rapid development also presents significant challenges in ensuring that all products and services are truly compliant with Sharia principles.

This development confirms the existence of a co-regulation model in Indonesia, namely the integration of fatwas (as religious law) with state regulations (as positive law). This model is considered unique compared to other countries such as Malaysia, where fatwas from the National Sharia Council of Bank Negara Malaysia are directly binding on regulators and industry players without going through a lengthy legislative process (Ahmad Hidayat, 2021). This difference shows the importance of continuous synchronization so that the DSN-MUI fatwas can be translated effectively into national regulations.

However, challenges cannot be ignored. Several studies have shown that there is still a regulatory mismatch between DSN-MUI fatwas and state regulations, particularly in the realm of financial innovations such as Sharia peer-to-peer lending, digital banking, and complex hybrid products (Ria Regita, 2025). This discrepancy can result in dualism of legal references, confusion for financial institutions, and a decline in public trust in Islamic finance.

In practice, the National Sharia Council-Indonesian Ulema Council (DSN-MUI) plays a crucial role through its fatwas. DSN-MUI fatwas serve as normative guidelines for Islamic financial institutions in carrying out their operations. For example, fatwas related to murābaḥah, ijarah, and sukuk contracts have become the foundation for various Islamic banking and capital market products. However, challenges arise when these fatwas must be harmonized with state regulations, such as Law No. 21 of 2008 concerning Islamic Banking or Financial Services Authority (OJK) regulations. Discord between DSN-MUI fatwas and positive legal regulations is not uncommon, leading to debate in implementation (Adiwarman A. Karim, 2019).

On the other hand, government strategic documents such as the 2019–2024 Indonesian Sharia Economic Masterplan and the 2020–2025 Sharia Banking Roadmap place Sharia compliance as a pillar of industrial development. This strategy aligns with the vision of making Indonesia a global center for the Sharia economy. Therefore, Sharia compliance is not merely a normative-theological issue, but also a strategic necessity for building global competitiveness (Komite Nasional Ekonomi dan Keuangan Syariah (KNEKS), 2024).

Several previous studies have shown that this gap remains a major problem. For example, a study by Al Arif (2020) revealed a delay in the adoption of DSN-MUI fatwas in OJK regulations, which has implications for the slow pace of innovation in Islamic financial products in Indonesia (M. Nur Rianto Al Arif, 2020). Meanwhile, other studies highlight the lack of effective mechanisms for integrating fatwas with national regulations, potentially reducing the effectiveness of sharia compliance (Ahmad Tarmizi, 2023). Thus, there is a research "gap" that needs to be filled, namely how to formulate a more synchronous relationship between DSN-MUI fatwas and state regulations so that they are not only normative, but also operational.

In practice, oversight of sharia compliance at the institutional level is carried out by the Sharia Supervisory Board (DPS). The DPS is tasked with ensuring that every product and operation of a financial institution is carried out in accordance with the fatwas of the DSN-MUI (Rahmatika dkk., 2024). However, several recent studies have revealed that the effectiveness of the DPS still faces challenges such as limited capacity, independence, and consistency of supervision. This situation reinforces the urgency of regulatory harmonization and strengthening institutional capacity to ensure sustainable Sharia compliance (Fidhayanti dkk., 2024).

Thus, the urgency of Sharia compliance in the Islamic economic system cannot be understood simply as formal adherence to fatwas, but rather as a governance architecture that integrates Islamic legal sources and state regulations. The role of the DSN-MUI in issuing fatwas and the role of regulators in translating them into national regulations requires critical examination to create consistent regulatory synchronization. This study is crucial for providing academic contributions and policy recommendations for realizing a sustainable, innovative, and trustworthy Sharia economic ecosystem.

From this description, it is clear that sharia compliance is not merely a matter of legal formality, but also concerns moral legitimacy, public trust, and the sustainability of the Islamic economic system. The urgency of this study is to critically examine how the role of DSN-MUI fatwas can contribute to developing synchronized and effective national regulations, while ensuring that the maqāṣid al-syarīʿah remains the primary orientation in all sharia economic regulations and practices.

Literature Review / Theoretical Framework

A. Sharia Compliance

Sharia compliance is a fundamental concept in the Islamic economic system as it is the primary parameter for ensuring that economic activities comply with sharia principles. Terminologically, sharia compliance is the process of ensuring that all activities, transactions, policies, and governance of an Islamic economic institution operate within the legal framework of Allah SWT, which is derived from the Qur'an, Sunnah, Ijma', and Qiyas (Ascarya, 2015). In its broadest definition, Sharia compliance relates not only to the fiqh or legal aspects, but also encompasses moral and ethical dimensions. An economic activity is considered Sharia-compliant if it adheres to the prohibitions on riba (unlawful addition of value), gharar (uncertainty that causes harm), maisir (speculation and gambling), and tadlis (fraud), while also ensuring the principles of justice, sustainability, and the public interest (Muhammad Hasan, 2019).

In the context of financial institutions, Sharia compliance relates to the implementation of supervisory mechanisms through Sharia governance, the Sharia Supervisory Board (SSB), and standards issued by institutions such as the AAOIFI and the IFSB. Without Sharia compliance, the Islamic economic system could be degraded into merely a conventional economic system with a religious label. Therefore, Sharia compliance is not only a legal norm but also the identity of the Islamic economic system (Muhammad Syafi'i Antonio, 2001).

The concept of sharia compliance in Islamic economics also has normative and operational dimensions. The normative dimension is based on the principles of sharia law as formulated by Islamic scholars and issued by religious authorities such as the National Sharia Council (DSN-MUI) in Indonesia. Meanwhile, the operational dimension refers to how these principles are applied in the practices of modern economic institutions, including sharia financial institutions, sharia fintech, the halal industry, and even social institutions such as BAZNAS and LAZ (Ascarya, 2020).

Functionally, Sharia compliance plays a role in maintaining market integrity, minimizing Sharia risks, increasing public trust, and ensuring fair financial distribution. In the context of a Muslim-majority country like Indonesia, Sharia compliance is crucial because institutions such as BAZNAS, LAZ, Islamic banks, and Islamic cooperatives play a public role that influences the social and economic stability of society.

Thus, Sharia compliance serves as a regulator of economic behavior, ensuring that all transactions are not only legally valid but also have social impacts that align with Sharia objectives. In the context of Indonesia, the world's largest Muslim population, the concept of Sharia compliance is not only an internal institutional requirement but also a standard of legitimacy and public trust.

B. Islamic Economic System and Its Basic Principles

The Islamic economic system is a system that regulates production, distribution, and consumption activities based on the principles of monotheism, justice, trustworthiness, and a balance between individual and social interests (M. Umer Chapra, 2000). The Islamic economic system is based on several fundamental principles that distinguish it from both capitalist and socialist systems. These principles include:

1. Prohibition of usury, gharar, and maysir.
2. The obligation of zakat, infaq, and sadaqah as a mechanism for wealth distribution.
3. The principle of fairness and transparency in transactions.
4. Balance between economic freedom and the moral constraints of sharia.

Sharia compliance in this system is not only related to banking or ZIS, but covers all economic activities: investment, capital markets, MSME businesses, trade, and management of public institutions.

C. Sharia Compliance Regulatory Framework in Indonesia

Indonesia is one of the countries with the most comprehensive Sharia compliance regulations. Its legal framework includes:

1. Law No. 21 of 2008 concerning Sharia Banking (regulating the Sharia Supervisory Board (SSB), DSN-MUI fatwas, and compliance mechanisms).
2. Law No. 23 of 2011 concerning Zakat Management (regulating the legality, accountability, and Sharia compliance of zakat institutions).
3. POJK No. 8/POJK.03/2014 concerning Sharia Governance in Sharia Banks.
4. AAOIFI and IFSB standards as international benchmarks.

These regulations demonstrate that Indonesia positions Sharia compliance as an instrument to protect the public and maintain public trust.

Based on the theoretical framework outlined above, it is clear that sharia compliance is the primary foundation for maintaining the integrity, legitimacy, and sustainability of the Islamic economic system in Indonesia. This theoretical understanding provides a crucial basis for examining how the concept of sharia compliance has been applied and studied in various institutional contexts. Therefore, to strengthen the analysis and assess the position of this research among existing studies, it is necessary to review several relevant previous studies. This review will identify the extent to which previous research addresses aspects of sharia compliance, the scope of the research addressed, and any remaining research gaps. This analysis also serves as a foundation for formulating the novelty of the research discussed in this article.

First, a study by Rahmat Ilyas, entitled " Peran Dewan Pengawas Syariah dalam perbankan Syariah," analyzes the implementation of sharia governance and the effectiveness of the Sharia Supervisory Board in sharia banks in Indonesia. The results indicate that the Sharia Supervisory Board plays a crucial role, but disparities in the quality of implementation remain between banks (Ilyas, 2021).

Second, a study by Alfia Rahmadhanti Marshelynda and Fauzatul Laily Nisa, entitled " Pengaruh Penerapan Prinsip Syariah terhadap Tingkat Kepatuhan Pajak di Kalangan UMKM Indonesia," examines the integration of sharia compliance in sharia-based MSMEs. The results confirm that business actors' understanding of sharia principles remains low, resulting in suboptimal implementation (Marshelynda & Nisa, t.t.)

Third a study by Baso Pangerang, Ledy Setiawati and Anisa Abubakar Lahjie, titled "Impact of Sharia Compliance and Islamic Corporate Governance on Financial Performance of Islamic Banks Moderated by Islamic Corporate Social Responsibility," examines the effect of Sharia compliance on the social and financial performance of Islamic microfinance institutions. The findings indicate a significant positive relationship: the higher the Sharia compliance, the better the social performance (Pangerang dkk., 2025)

Previous research identified several weaknesses that formed the basis for this paper. Prior research focused primarily on Sharia compliance within specific sectors, such as Islamic banks, zakat institutions, or MSMEs. There has been no comprehensive study examining the urgency of Sharia compliance for the entire Indonesian Islamic economic system at a macro level. Furthermore, most studies focus on technical implementation (e.g., the role of the Sharia Supervisory Board (DPS), audits, and reporting effectiveness). The novelty of this article lies in its emphasis on the philosophical aspects and normative urgency of Sharia compliance as a conceptual pillar of the Islamic economic system. Previous research rarely examines the relationship between Sharia compliance and regulatory consequences under the Sharia Banking Law, the Zakat Law, and international standards. This article fills this gap, and most studies focus solely on the internal impacts of institutions. This article highlights the urgency of Sharia compliance for the stability of the national economic system, a macro perspective that has not been widely explored.

Research Methodology

This paper uses a normative legal research approach, emphasizing the study of legal documents and fatwas as the primary data sources. This study was chosen because the problem under study focuses on the synchronization of DSN-MUI fatwas with state regulations, thus requiring an examination of written legal norms and applicable legal principles (Peter Mahmud Marzuki, 2019).

The type of research used is qualitative descriptive-analytical. Descriptive because this study seeks to systematically describe the role of DSN-MUI fatwas in realizing synchronized national regulations. Analytical because this study not only describes but also critically examines the challenges of harmonizing fatwas with state regulations, particularly in the context of the development of the Islamic financial industry (Soerjono Soekanto & Sri Mamudji, 2018).

Data analysis was conducted qualitatively using legal interpretation techniques and a comparative approach. Legal interpretation was used to understand the meaning of norms in DSN-MUI fatwas and national regulations. The comparative approach was used to compare regulatory synchronization practices in Indonesia with those in other countries, such as Malaysia, to obtain a more comprehensive picture (Ahmad Hidayat, 2021).

Results and Discussion

Sharia compliance is a fundamental element in building a credible and sustainable Islamic economic system. The main principles of Islamic economics emphasize not only financial profit but also uphold the values of justice, honesty, transparency, and social responsibility. Therefore, every economic activity must align with the principles of maqāṣid al-syarīʻah, namely safeguarding religion, life, intellect, lineage, and property (Jasser Auda, 2018). Compliance with sharia is not merely a legal formality, but rather an instrument to maintain blessings and prevent the community from the practices of usury, gharar, and maisir which can damage the foundations of economic life (Ascarya, 2015).

In the context of the Islamic finance industry, sharia compliance is realized through the role of the Sharia Supervisory Board (DPS) at the institutional level, and the National Sharia Council-MUI (DSN-MUI) at the national level. These two institutions ensure that the fatwas issued serve as operational guidelines for Islamic banking, insurance, and other financial institutions. The urgency of sharia compliance is increasingly apparent in the context of Islamic financial institutions in Indonesia. As the country with the largest Muslim population in the world, the existence of Islamic financial institutions will only gain public legitimacy if they consistently maintain sharia compliance in their operations. Public trust in Islamic financial institutions is determined not only by financial performance, but also by the extent to which the institution adheres to sharia principles in its practices (Rifqi Muhammad, 2021). Recent research shows that sharia compliance contributes significantly to increasing customer loyalty, where high levels of sharia compliance are positively correlated with asset growth and community participation in the sharia financial industry.

Furthermore, Sharia compliance also has legal implications. Law Number 21 of 2008 concerning Sharia Banking stipulates that all Sharia banking products and services must obtain a fatwa (religious edict) confirming their compliance with Sharia from the National Sharia Council (DSN-MUI). This regulation demonstrates that Sharia compliance is both a normative and legal obligation, not merely a moral choice. Therefore, any deviation from Sharia principles not only damages the image of Sharia financial institutions but can also result in legal sanctions and a loss of public trust.

From the perspective of the maqāṣid al-syarīʻah (obligatory principles of sharia), sharia compliance has two dimensions: ensuring the sustainability of a fair and stable financial system and serving as a means to create distributive justice in society. When sharia economic institutions comply with sharia rules, benefits (maṣlaḥah) can be optimally achieved, both in the form of material gains and spiritual blessings (Ahmad Hidayat, 2021). Therefore, the urgency of sharia compliance is non-negotiable, as it is a pillar that maintains the purity of the identity and sustainability of the Islamic economic system.

The fatwas of the National Sharia Council of the Indonesian Ulema Council (DSN-MUI) hold a highly strategic position in Indonesia's Islamic economic system. Its existence not only serves as a moral guide but also as a recognized source of law for the practices of Islamic financial institutions. The DSN-MUI was established in 1999 with the primary objective of issuing fatwas regarding the products, services, and operational practices of Islamic financial institutions, ensuring their activities are fully compliant with Sharia principles (Syafi'i Antonio, 2019).

The role of the DSN-MUI has become increasingly significant since the government adopted these fatwas into formal regulations. For example, Law Number 21 of 2008 concerning Islamic Banking stipulates that Islamic banking products must obtain a fatwa on sharia compliance from the DSN-MUI before being operationalized. Furthermore, the Financial Services Authority (OJK) and Bank Indonesia (BI) also use DSN-MUI fatwas as references in drafting technical regulations in the field of Islamic banking and finance. This demonstrates an organic relationship between DSN-MUI fatwas and the national regulatory system, where fatwas serve as primary references that are then translated into state policy (Nurul Huda & Mustafa Edwin Nasution, 2020).

In practice, the DSN-MUI fatwa serves as a mechanism for harmonizing sharia values with positive law. Through fatwas, abstract sharia principles can be operationalized in concrete products, such as murābaḥah, ijarah, mudharabah, and wakālah contracts. Without a DSN-MUI fatwa, Islamic financial institutions could potentially experience legal doubt and regulatory uncertainty (A. Firmansyah, 2022). In other words, the DSN-MUI fatwa is not only normatively binding for Muslims but also has practical binding power because it serves as the basis for the legal legitimacy of state regulators.

However, the role of the DSN-MUI is not limited to product approval, but also to strengthening sharia governance. The DSN-MUI acts as the highest sharia authority, overseeing the Sharia Supervisory Board (DPS) at each financial institution. This is crucial because the DPS is responsible for overseeing sharia compliance at the operational level, while the DSN-MUI ensures that such supervision is uniform and in accordance with national standards (Ahmad Hidayat, 2021). Thus, the DSN-MUI's fatwas serve as a bridge between sharia ideals and the needs of state regulation, as well as an instrument for maintaining the integrity of the sharia economic system in Indonesia.

While the DSN-MUI fatwas play a crucial role in guiding sharia economic practices in Indonesia, there are a number of significant challenges in harmonizing these fatwas with state regulations. These challenges can be seen from a normative, structural, and practical perspective.

First, normative challenges arise from the dualism of the legal system. Indonesia adheres to a positive legal system based on statutory regulations, while DSN-MUI fatwas are derived from Islamic law, which is normative in nature and lacks direct binding force within the statutory hierarchy. This often results in fatwas serving only as unwritten sources of law, requiring formal legitimacy to be implemented within the national legal system (Mohammad Daud Ali, 2018).

For example, fatwas regarding new Islamic financial contracts, such as wakalah bil ujrah (provisional loan) or murābahah lil amir bi al-syirā' (provisional loan), take considerable time to be adopted into Bank Indonesia or Financial Services Authority (OJK) regulations. This situation creates a gap between the practical needs of Islamic financial institutions and the availability of formal regulations (Sri Nurhayati & Wasilah, 2019).

Second, from a structural perspective, the differing orientations between the DSN-MUI and state regulators often create problems. DSN-MUI fatwas focus on compliance with sharia principles, while state regulators consider not only sharia aspects but also consumer protection, financial system stability, and integration with national law. This difference in orientation sometimes results in inconsistencies. For example, in a murābahah contract, the DSN-MUI permits the application of a fixed margin, but in practice, tax regulations create a double burden for both customers and Islamic financial institutions (H. Azhari, 2021).

Third, from a practical aspect, the capacity of sharia financial institutions to understand and implement fatwas is also still limited. Not a few sharia financial institutions view fatwas merely as administrative requirements, not as substantive guidelines that must be implemented based on maqāṣid al-syarī'ah. As a result, a form over substance phenomenon emerges where the practice of financial institutions only pursues formal compliance with fatwas, but ignores the values of justice, transparency and blessings which are the goals of Islamic law (Nur Kholis, 2022).

Furthermore, the challenges of harmonization are also influenced by national legal politics. The legislative process in Indonesia is often influenced by political dynamics, resulting in slow integration of DSN-MUI fatwas into laws or government regulations. This is evident in the enactment of Law No. 21 of 2008 concerning Sharia Banking, which took a long time from the initial emergence of sharia banks in the 1990s until formal regulations were ratified. Such legislative delays have the potential to hinder the development of the sharia financial industry (Asep Saepudin Jahar, 2020).

Equally important, harmonization challenges also arise from the dynamics of the globalization of Islamic finance. International standards issued by institutions such as the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) or the Islamic Financial Services Board (IFSB) are sometimes not entirely aligned with the fatwas issued by the DSN-MUI. For example, regarding the practices of tawarruq and bai' al-'inah, the AAOIFI has a restrictive view, while the DSN-MUI is relatively more accommodating. This difference creates a dilemma: on the one hand, the Indonesian Islamic finance industry wants to integrate with the global market, but on the other, it must maintain the originality of domestic fatwas (M. Karim, 2021).

Thus, harmonizing DSN-MUI fatwas with state regulations is a complex and multidimensional challenge. Harmonization efforts are not sufficient simply by adopting fatwas into formal regulations; they also require synergy across authorities, increased institutional capacity, and ongoing dialogue between Islamic scholars, regulators, and practitioners. Without effective harmonization, the vast potential of the Islamic economy in Indonesia will struggle to achieve optimal competitiveness, both nationally and internationally.

To address the challenge of harmonizing DSN-MUI fatwas with state regulations, a comprehensive strategy for strengthening Islamic governance is required. Good Islamic governance not only ensures formal compliance with fatwas but also ensures that the principles of the maqāṣid al-syarīʻah are truly implemented in economic practice.

First, strengthening sharia governance requires an active role for the Sharia Supervisory Board (SSB) in every Islamic financial institution. The SSB is not sufficient as a formal stamp of compliance; it must truly function as a guardian of sharia compliance. Ideally, the SSB has the authority to conduct internal sharia audits, provide recommendations for improvements, and oversee product implementation on an ongoing basis (Ascarya, 2019). The current challenge is the limited competence of some SSBs, particularly in mastering the complex science of contemporary muamalah (Islamic jurisprudence). Therefore, continuous development of the SSB's capacity through certification, training, and collaborative research with academics is essential.(M. Syafi'i Antonio, 2017).

Second, the strategy for strengthening sharia governance must also include integration of DSN-MUI fatwas with regulations from the Financial Services Authority (OJK) and Bank Indonesia (BI). This synchronization can be achieved through regular communication forums between DSN-MUI scholars, regulators, and industry practitioners. With this forum, any new fatwas can be promptly translated into technical regulations, thereby eliminating gaps between sharia norms and positive law (A. Rahman, 2022).

Third, strengthening sharia governance requires a technology-based approach (digital shariah governance). Currently, the development of sharia financial technology (fintech) demands a fast, transparent, and accountable oversight mechanism. The implementation of blockchain-based regtech and suptech, for example, can be used to track sharia compliance in every financial transaction (Siti Mariam, 2023). By digitizing oversight, the possibility of irregularities can be minimized, while simultaneously increasing public trust in the sharia financial industry.

Fourth, the strengthening strategy must also emphasize the maqāṣid al-shariah approach as a benchmark for compliance, not merely a legal formality. For example, in sharia microfinance products, a focus on justice, sustainability, and economic empowerment of the community must be the main indicators of sharia compliance. With a maqāṣid orientation, sharia financial institutions can avoid formally sharia-compliant but substantively unjust practices (practices that are formally compliant with sharia but are substantively unfair or inconsistent with the objectives of sharia) that actually harm the common people (M. A. Kamali, 2019).

Furthermore, synergy between higher education, academic research, and industry also plays a crucial role. Universities and research institutions need to be involved in the development of fatwas and regulations to ensure they are always based on empirical and contextual studies. For example, research on the social impact of qardhul hasan products can provide input for the DSN-MUI in issuing new fatwas. Thus, sharia governance goes beyond normative oversight but also encourages innovation in financial products that are equitable and meet the needs of the community (F. Hidayat, 2021).

Finally, the strategy for strengthening sharia governance must be viewed as part of efforts to maintain the integrity of the Islamic economic system in Indonesia. Without strong governance, sharia financial institutions risk regulatory arbitrage (the practice of exploiting loopholes or discrepancies in legal/regulatory rules to gain profit, while appearing to comply with the law while actually avoiding the substance of the regulations) or even losing public trust. Conversely, with robust sharia governance, Indonesia has the potential to become a global sharia financial center that excels not only in terms of asset size but also in the quality of its sharia compliance and social contribution.

Conclusion

Studies on the urgency of sharia compliance within the Islamic economic system affirm that sharia compliance is a fundamental foundation that is not only normative but also strategic in building public trust and ensuring the sustainability of Islamic financial institutions. This compliance must not be understood merely as fulfilling formal regulations; it must also reflect the values of *maqāṣid al-sharīʿah*, such as justice, sustainability, protection of wealth, and the welfare of the community. Without consistent sharia compliance, Islamic financial institutions will lose their legitimacy—both in the religious sense and within the framework of positive law.

First, the urgency of sharia compliance demonstrates that the existence of the Islamic economic system depends on its integrity in upholding the core principles of sharia. This aspect differentiates it from the conventional system and serves as a moral guarantee for the Muslim community that their funds are managed with trustworthiness. Thus, sharia compliance is an essential instrument for maintaining public confidence as well as enhancing the competitiveness of the Islamic economy.

Second, the role of DSN-MUI fatwas is evidently vital in providing normative foundations that can be implemented in Islamic economic practices. These fatwas serve as the official reference for Islamic financial institutions and as a source of inspiration for state regulators in formulating policy frameworks. However, fatwas will only be effective when they can be harmonized with national regulations, thereby obtaining clear legal force.

Third, discussions on harmonization challenges highlight a gap between religious norms and state regulations. Differences in interpretation, delays in policy adoption, and the duality of legal systems are serious obstacles to implementing sharia compliance. Therefore, a more intensive coordination mechanism between DSN-MUI, OJK, BI, and relevant ministries is needed to ensure alignment between fatwas and positive legal policies.

Fourth, strategies for strengthening sharia governance are crucial for the future of Islamic economics in Indonesia. The active role of the Sharia Supervisory Board (DPS), capacity building for human resources, and the use of digital technology in supervision are essential steps to reinforce sharia implementation. Additionally, benchmarking governance practices from other countries such as Malaysia can serve as a valuable reference for improving the integration between fatwas and regulatory frameworks.

Considering these four points, it can be concluded that sharia compliance is a strategic necessity in developing a sustainable, inclusive, and globally competitive Islamic economic system. The academic contribution of this study lies in providing a critical perspective on the importance of synergy between religious fatwas and state regulations, while emphasizing the need for further research on the effectiveness of harmonization mechanisms in practice. Practically, this study recommends that DSN-MUI and regulators strengthen communication forums and regulatory integration, as well as encourage Islamic financial institutions to not only comply formally but also internalize *maqāṣid al-sharīʻah* in every policy and operational practice.

Finally, sharia compliance is not the ultimate goal; it is an instrument to realize justice, public benefit, and blessings in the economic life of the Muslim community. Therefore, the urgency of sharia compliance must be understood comprehensively as a normative, regulatory, and strategic basis in developing an Islamic economic system in Indonesia that is capable of addressing local challenges while competing at the global level.

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