

## **Legal and Ethical Challenges in Islamic Financial Product Development: A Contemporary Perspective**

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***Abstrac:** The development of Shariah-compliant financial products has become an integral part of the global banking and finance industry. This article examines the legal and ethical challenges faced in the development of Shariah-compliant financial products from a contemporary perspective. These challenges include strict adherence to Shariah principles, effective supervision and regulation, as well as ethical considerations in handling customer funds. In the context of the evolving financial technology (fintech) innovation, this article also explores how Shariah-compliant financial products can harness this technology without compromising the integrity of Shariah principles. Additionally, we identify recent trends and changes in Shariah-compliant financial products and analyze the social and economic impact of successful development in this area. This article also presents innovative approaches and solutions to address the legal and ethical challenges encountered, with the aim of promoting sustainable growth of Shariah-compliant financial products in line with Shariah principles. This research is expected to provide valuable insights to financial practitioners, regulators, and researchers interested in the development of Shariah-compliant financial products in the contemporary era.*

**Keywords:** Legal Challenges, Sharia Ethics, Sharia Financial Products, Contemporary

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**Abstrak:** Pengembangan produk keuangan syariah telah menjadi bagian yang sangat penting dari perbankan dan keuangan global. Artikel ini mengkaji tantangan hukum dan etika yang dihadapi dalam pengembangan produk keuangan syariah dari perspektif kontemporer. Tantangan-tantangan ini mencakup pematuhan yang ketat terhadap prinsip-prinsip syariah, pengawasan dan regulasi yang efektif, serta pertimbangan etika dalam penanganan dana nasabah. Dalam konteks inovasi teknologi finansial yang terus berkembang, artikel ini juga mempertimbangkan bagaimana produk keuangan syariah dapat memanfaatkan teknologi ini tanpa mengorbankan integritas prinsip-prinsip syariah. Selain itu, kami mengidentifikasi tren dan perubahan terbaru dalam produk keuangan syariah dan menganalisis dampak sosial dan ekonomi dari pengembangan produk keuangan syariah yang berhasil. Artikel ini juga menyajikan pendekatan inovatif dan solusi untuk mengatasi tantangan hukum dan etika yang dihadapi, dengan tujuan mempromosikan pertumbuhan produk keuangan syariah yang berkelanjutan sejalan dengan prinsip-prinsip syariah. Penelitian ini diharapkan memberikan wawasan berharga kepada praktisi keuangan, regulator, dan peneliti yang tertarik dalam pengembangan produk keuangan syariah di era kontemporer.

**Kata Kunci :** *Tantangan Hukum, Etika Syariah, Produk Keuangan Syariah, Kontemporer*

## INTRODUCTION

The development of Islamic financial products has become an integral part of the global financial system. These products, which are based on Islamic sharia principles, have gained significant recognition in recent years.<sup>1</sup> Despite this rapid growth, Islamic financial products still face a number of legal and ethical challenges in the face of the ever-changing developments in today's global financial environment. These challenges include issues such as compliance with strict Islamic principles, effective supervision and regulation,

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<sup>1</sup>Subandi Subandi, "Problem dan Solusi Pengembangan Perbankan Syariah Kontemporer di Indonesia," *Al-Tahrir: Jurnal Pemikiran Islam* 12, no. 1 (May 1, 2012): 586.

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and compliance with ethical obligations in handling client funds.<sup>2</sup> In a contemporary perspective, as the world continues to move towards digitalization and innovative financial technologies, there is additional debate on how Islamic financial products can leverage these technologies without compromising the underlying Islamic principles.

In this context, this study aims to investigate and analyze the legal and ethical challenges faced in the development of current Islamic financial products.<sup>3</sup> We will look at how various legal and ethical aspects influence the design, development and implementation of Islamic financial products. We will also identify recent changes and trends in Islamic financial products and how they reflect responses to these challenges.

This article will also describe the social and economic impacts of successful Islamic financial product development and their potential contribution to economic sustainability. We will explore innovative approaches and solutions that can help address these legal and ethical challenges, while promoting the growth of Islamic financial products that are sustainable and in line with Shari'ah principles.

In an effort to achieve a deeper understanding of the role of Islamic financial products in today's global economy, we hope that this study can provide valuable insights to financial practitioners, regulators, and researchers who are interested in the development and implementation of Islamic financial products in the contemporary era.

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<sup>2</sup> Abdul Rachman Abdul et al., "Tantangan Perkembangan Perbankan Syariah di Indonesia," *Jurnal Tabarru': Islamic Banking and Finance* 5, no. 2 (September 30, 2022): 361.

<sup>3</sup> Dena Ayu and Syahrul Anwar, "Etika Bisnis Ekonomi Islam dalam Menghadapi Tantangan Perekonomian di Masa Depan," *Al-Mustashfa: Jurnal Penelitian Hukum Ekonomi Syariah* 7, no. 1 (June 27, 2022): 56–58.

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## **METHOD**

The research method used in this study involves the first step in identifying relevant sources of information. This includes academic literature, official documents, laws, regulations, fatwas of the National Sharia Council (DSN), and other relevant reports and publications that focus on the law and ethics in Islamic financial products. After identification, we conducted a comprehensive literature collection to ensure that we had access to a variety of views and legal frameworks related to this topic.

Next, this research method involves an in-depth analysis of the collected literature. We analyze the documents to identify the various views, debates, and findings that exist in the literature on law and ethics in the development of Islamic financial products. From the results of this analysis, we build a conceptual framework that helps in formulating a deeper understanding of the legal and ethical challenges faced in the context of Islamic financial products, especially in a contemporary perspective.<sup>4</sup>

This research method also involves compiling relevant findings from the literature that has been analyzed. These findings include a summary of the various aspects of the legal and ethical challenges that have been identified in this study. The conclusions drawn from this study are based on a deep understanding of the applicable legal and ethical framework, and how these challenges affect the development of Islamic financial products as a whole. With this research method, we seek to provide a comprehensive and informed view of this issue in the Indonesian context.

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<sup>4</sup> Subandi, "Problem dan Solusi Pengembangan Perbankan Syariah Kontemporer di Indonesia," 57.

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## RESULTS AND DISCUSSION

### Introduction to Islamic Financial Products and Legal Basis

Islamic financial products are financial instruments that operate based on the principles of Islamic Sharia. The main principle that governs these products is the prohibition of *riba* (usury), which is profit from money or interest that is considered a practice that violates the principles of Islamic finance.<sup>5</sup> In addition, sharia financial products also avoid excessive speculation (*gharar*) and the prohibition of investment in activities considered haram in Islam, such as gambling and alcohol.

It is important to note that Islamic financial products emphasize the principle of profit sharing (*mudarabah*) and ethical use of funds. In the context of sharia economics, the main aim of these financial products is to create added value for society and the economy as a whole, while adhering to Islamic values and moral principles.

Therefore, understanding Islamic financial products is an important foundation for exploring the legal and ethical challenges that arise in the development of these products. This includes understanding the applicable legal framework, the DSN fatwas that regulate Islamic financial products, and how these products should be implemented with consistency to Islamic principles and within an ethical framework that meets the expectations of

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<sup>5</sup> Ginan Wibawa, Rizal Muttaqin, and Fitriana Dewi Sumaryana, "Multiakad dada Lembaga Keuangan Syariah Kontemporer: Prinsip dan Parameter Kesyari'ahannya," *Fair Value: Jurnal Ilmiah Akuntansi dan Keuangan* 3, no. 1 (October 13, 2021): 95, accessed October 3, 2023, <https://journal.ikopin.ac.id/index.php/fairvalue/article/view/691>.

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society.<sup>6</sup> Thus, the introduction of Islamic financial products is the first step in understanding the complexity of the challenges faced in developing Islamic financial products in the contemporary era.

The development of Islamic financial products is an effort to create financial instruments that comply with Islamic sharia principles, which prohibit usury and excessive speculation. These products provide alternatives that are in accordance with Islamic ethical values in the world of banking and finance. To understand the challenges in developing Islamic financial products, it is important to view them from a legal and ethical perspective.<sup>7</sup>

Sharia financial products have dual benefits, namely providing financial options that are in accordance with sharia principles for individuals and businesses who want to conduct their financial activities ethically. In addition, these products also provide investment opportunities that are in accordance with sharia principles for Muslims who want to avoid investments that are contrary to their religious teachings.

The goal of developing Islamic financial products is to meet the growing market demand for financial services that are in accordance with Islamic sharia principles. This includes creating products that follow Islamic law in contractual agreements, risk management, and handling of customer funds. In addition, another goal is to promote financial inclusion and sustainable economic growth in the context of sharia.

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<sup>6</sup> Budi Kolistiawan, "Tantangan Lembaga Keuangan Syariah dalam Menghadapi Masyarakat Ekonomi ASEAN," *Muqtasid: Jurnal Ekonomi dan Perbankan Syariah* 8, no. 1 (June 1, 2017): 55.

<sup>7</sup> Mochamad Reza Adiyanto and Arie Setyo Dwi Purnomo, "Dampak Tingkat Literasi Keuangan Syariah Terhadap Minat Menggunakan Produk Keuangan Syariah" (n.d.): 3.

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The development of Islamic financial products involves a careful and complex process.<sup>8</sup> The steps include an in-depth understanding of sharia principles, development of appropriate product structures, and compliance with applicable sharia regulations and fatwas. This process also involves collaboration with sharia experts, financial supervisory institutions, and other stakeholders to ensure that the product complies with sharia principles and applicable laws.

For example, Islamic financial products such as sukuk or Islamic bonds have become popular investment instruments. They are based on the principle of profit sharing (*mudharabah*) and do not contain elements of usury. In the legal context in Indonesia, the main legal basis for Islamic financial products is Law of the Republic of Indonesia Number 21 of 2008 concerning Islamic Banking and regulations issued by the Financial Services Authority (OJK) related to the operation of Islamic banks and Islamic financial products. Fatwas from the National Sharia Council (DSN) also provide guidelines in the development of Islamic financial products.

In a contemporary perspective, challenges in developing Islamic financial products include responding to financial technology (*fintech*) innovations and changes in consumer behavior. Product development must be in line with these trends while maintaining the integrity of Islamic principles.<sup>9</sup> Overall, the development of Islamic financial products in Indonesia requires a deep understanding of the law and ethics as well as compliance with applicable regulations to ensure the success of these products in an increasingly dynamic market.

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<sup>8</sup> Andri Rivai, "Produk Jasa pada Bank Syariah dan Aplikasinya," *Waraqat : Jurnal Ilmu-Ilmu Keislaman* 5, no. 1 (October 11, 2020): 147.

<sup>9</sup> *Ibid.*, 148.

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The legal basis of the above title involves a number of regulations and laws that govern the Islamic financial industry in Indonesia. Some of the main legal bases that are relevant in this context are:

1. Law of the Republic of Indonesia Number 21 of 2008 concerning Sharia Banking<sup>10</sup>

This law is the main legal basis governing the operation of Islamic banks in Indonesia. It covers various aspects, including the requirements for establishing Islamic banks, operational regulations, operational principles of sharia, and supervision procedures by the Financial Services Authority (OJK).

2. Financial Services Authority (OJK) Regulations

OJK mengeluarkan peraturan-peraturan yang lebih rinci untuk mengimplementasikan ketentuan Undang-Undang Perbankan Syariah. Peraturan ini mencakup berbagai aspek termasuk ketentuan prudensial, tata cara perizinan, pengungkapan informasi, dan pengelolaan risiko untuk bank syariah.

3. National Sharia Council (DSN)

DSN is a body that issues sharia fatwas that regulate various aspects of sharia financial products. DSN fatwas have legal force and serve as important guidelines for the sharia financial industry. They provide guidance on product development, risk assessment, and compatibility with sharia principles.

4. Law Number 10 of 1998 concerning Amendments to Law Number 7 of 1992 concerning Banking<sup>11</sup>

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<sup>10</sup> Dede Nurohman, "Undang-Undang Perbankan Syariah: Makna, Implikasi dan Tantangan," *La\_Riba* 2, no. 2 (July 31, 2008): 279.

<sup>11</sup> Subandi, "Problem dan Solusi Pengembangan Perbankan Syariah Kontemporer di Indonesia," 585.

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Although it does not specifically regulate Islamic banking, this law provides a relevant legal basis in the context of developing Islamic financial products. It regulates a number of banking aspects that also apply to Islamic banks.<sup>12</sup>

#### 5. Related Regulations and Fatwas

In addition to the main legal basis, there are a number of other regulations and fatwas issued by sharia authorities, including DSN fatwas and OJK regulations related to sharia financial products. These regulations and fatwas may relate to specific products, reporting procedures, and risk control procedures in the sharia financial industry.

This legal basis is an important foundation in the development and operation of Islamic financial products in Indonesia. It is also the main reference for Islamic financial institutions, regulators, and other stakeholders in carrying out their activities within a strict Islamic framework and meeting applicable legal requirements.

#### **Legal challenges in developing Islamic financial products**

The legal challenges in developing Islamic financial products are significant and complex. These products must adhere to strict Islamic principles, including the prohibition of usury (riba) and excessive speculation (gharar), while still complying with applicable laws and regulations.<sup>13</sup> The implementation of these principles in financial products and services requires Islamic financial companies and institutions to formulate contracts that are in accordance with Islamic principles, manage risks carefully, and avoid

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<sup>12</sup> Nurohman, "Undang-Undang Perbankan Syariah," 282.

<sup>13</sup> Yayat Rahmat Hidayat, "Analisis Peluang dan Tantangan Lembaga Keuangan Syariah Untuk Meningkatkan Daya Saing Menghadapi Masyarakat Ekonomi Asean," *Amwaluna: Jurnal Ekonomi dan Keuangan Syariah* 2, no. 2 (July 31, 2018): 166.

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instruments that conflict with Islamic law. Therefore, the development of Islamic financial products requires a deep understanding of the legal aspects related to Islamic principles and applicable financial regulations.

Legal challenges in the development of Islamic financial products, which appear in the title of this research, are critical aspects that influence the journey and development of the Islamic financial industry.<sup>14</sup> The discussion of these legal challenges provides an in-depth understanding of the various legal issues that must be faced in the context of developing Islamic financial products in the contemporary era. The following is a discussion of these legal challenges:

1. Compliance with Shariah Principles: One of the main legal challenges is ensuring that Islamic financial products comply with the strict principles of Islamic Shariah. This includes the prohibition of *riba* (usury), which is prohibited in Islam, as well as ensuring that investments and other financial operations are in accordance with Islamic teachings. These products must also comply with the principle of profit sharing (*mudharabah*) and ensure that their business practices are in accordance with Islamic moral and ethical principles.<sup>15</sup>
2. Compliance with Laws and Regulations: Islamic financial products must comply with the laws and regulations in force in the country. In Indonesia, Law of the Republic of Indonesia Number 21 of 2008 concerning Islamic Banking is the main legal basis governing the operations of Islamic banks. The Financial Services Authority (OJK) regulations also create a legal

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<sup>14</sup> Muhammad Iqbal Fasa, "Tantangan dan Strategi Perkembangan Perbankan Syariah di Indonesia" 2, no. 1 (2013): 33.

<sup>15</sup> Afrida Putritama, "PENERAPAN ETIKA BISNIS ISLAM DALAM INDUSTRI PERBANKAN SYARIAH," *Nominal, Barometer Riset Akuntansi dan Manajemen* 7, no. 1 (April 19, 2018): 3, accessed October 3, 2023, <https://journal.uny.ac.id/index.php/nominal/article/view/19356>.

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framework that needs to be followed in the development of Islamic financial products.<sup>16</sup>

3. Terms of Contract Agreement: Contract agreements used in Islamic financial products must be carefully drafted to comply with Islamic principles and remain legally valid.<sup>17</sup> This involves developing contract documents that comply with Sharia principles, as well as ensuring consistency with applicable legal provisions.
4. Risk Management: Another challenge is the effective management of risk in Islamic financial products. These products often have a more complex structure, and risks need to be identified and managed in accordance with Islamic principles. This includes avoiding investment instruments that are contrary to Islamic law.<sup>18</sup>
5. Alignment with DSN Fatwas: The National Sharia Council (DSN) issues fatwas that regulate sharia financial products. These fatwas have the force of law and serve as important guidelines for the sharia financial industry. Compliance with the DSN fatwas is an important step in ensuring that these products are in accordance with strict sharia principles.
6. Consumer Protection: Islamic financial products must ensure adequate consumer protection in accordance with applicable consumer laws and regulations. This includes clear disclosure of information about the product and its risks to customers.

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<sup>16</sup> Dani Meilita Purnama And Indri Yuliafitri, "Efektivitas Gerakan Literasi Keuangan Syariah dalam Mengedukasi Masyarakat Memahami Produk Keuangan Syariah," *Banque Syar'i : Jurnal Ilmiah Perbankan Syariah* 5, no. 1 (July 15, 2019): 23.

<sup>17</sup> Mohamad Ainun Najib, "Penguatan Prinsip Syariah Pada Produk Bank Syariah," *Jurnal Jurisprudence* 7, no. 1 (June 22, 2017): 17.

<sup>18</sup> Ahmad Mukhlisin, "ANALISIS MANAJEMEN RISIKO (KAJIAN KRITIS TERHADAP PERBANKAN SYARIAH DI ERA KONTEMPORER)" 05 (2018): 261.

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7. Dispute Resolution: Dispute resolution mechanisms that comply with sharia principles need to be implemented to address legal disputes that may arise in the context of sharia financial products.

Understanding and addressing these legal challenges is an important step in maintaining the integrity and sustainability of the Islamic financial industry and building customer trust. By addressing these challenges, the Islamic financial industry can continue to grow and provide financial solutions that are in accordance with Islamic principles for the Muslim community in the contemporary era.

### **Ethical challenges in developing Islamic financial products**

Ethical challenges in the development of Islamic financial products, as reflected in the researcher's title, are critical aspects that affect the integrity and sustainability of the Islamic financial industry.<sup>19</sup> The discussion of these ethical challenges provides in-depth insights into the various ethical issues that must be addressed in the context of developing Islamic financial products in the contemporary era. The following is a discussion of these ethical challenges:

1. Corporate Social Responsibility (CSR): One of the key ethical challenges is ensuring that Islamic financial institutions understand and fulfill their corporate social responsibilities. This includes contributing to the social and economic development of communities, investing in projects that provide social benefits, and ensuring that their operations do not harm the environment or surrounding communities.
2. Transparency: Ethics in Islamic financial products require high transparency. Customers must be given clear and easy access to information about their products, including their structure, risks, and

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<sup>19</sup> Ayu and Anwar, "Etika Bisnis Ekonomi Islam dalam Menghadapi Tantangan Perekonomian di Masa Depan," 55.

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- potential returns. This is important to ensure that customers make informed decisions that are in accordance with Islamic principles.
3. Integrity in Handling of Customer Funds: The ethical challenge involves ensuring that customer funds are treated with integrity and due care. Islamic financial institutions must maintain the trust of their customers and ensure that their funds are used in accordance with strict sharia principles.
  4. Avoidance of Conflict of Interest: Islamic financial products must avoid conflicts of interest that may harm customers or violate Islamic ethical principles. This includes ensuring that such products do not provide unfair benefits to financial institutions or certain parties.
  5. Implementation of Islamic Ethical Principles: The development of Islamic financial products must consider Islamic ethical values at every stage. This includes selecting appropriate investments, maintaining integrity in transactions, and avoiding practices that are considered haram in Islam, such as gambling and alcohol.<sup>20</sup>
  6. Internal Control and Audit: The development of Islamic financial products must also ensure that there are strong internal controls and audits to monitor compliance with Islamic principles and Islamic ethical values. This helps ensure that the products remain in line with their objectives.
  7. Commitment to Islamic Financial Education: The ethical challenge also involves a commitment to increasing public understanding of Islamic financial products and Islamic values.<sup>21</sup> This includes providing

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<sup>20</sup> putritama, "Penerapan Etika Bisnis Islam Dalam Industri Perbankan Syariah," 4.

<sup>21</sup> Kolistiawan, "Tantangan Lembaga Keuangan Syariah dalam Menghadapi Masyarakat Ekonomi ASEAN," 56.

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comprehensive education and information to the public so that they can make financial decisions that are in accordance with sharia principles.<sup>22</sup>

By addressing these ethical challenges, the Islamic financial industry can build public trust, maintain integrity, and meet the expectations of Islamic ethical values. Thus, Islamic financial products can continue to develop and provide financial solutions that are in accordance with Islamic principles for Muslim communities in the contemporary era.

### **Contemporary perspectives on the development of Islamic financial products**

Contemporary perspectives on the development of Islamic financial products show how important this sector is in responding to social, economic and technological changes in the modern era.<sup>23</sup> In an increasingly connected and complex environment, Islamic financial products are becoming an attractive option for individuals and institutions seeking to invest and transact in accordance with Islamic sharia principles. The development of fintech has opened up new opportunities for the development of more innovative Islamic financial products that are accessible to various segments of society. This reflects how contemporary perspectives are creating new possibilities in the Islamic financial ecosystem.

In addition, contemporary perspectives highlight efforts to improve public literacy and understanding of Islamic financial products. In today's information age, Islamic financial education is increasingly becoming an important focus. More people are aware of the benefits and ethical principles

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<sup>22</sup> Hidayat, "Analisis Peluang dan Tantangan Lembaga Keuangan Syariah untuk Meningkatkan Daya Saing Menghadapi Masyarakat Ekonomi Asean," 168.

<sup>23</sup> Wening Purbatin Palupi Soenjoto, "Tantangan Bank Syariah Di Era Globalisasi," *El-Barka: Journal of Islamic Economics and Business* 1, no. 1 (June 20, 2018): 82.

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underlying Islamic financial products, and this is driving higher demand for these products.

In addition, regulation also plays an important role in the contemporary perspective. Financial authorities in various countries, including Indonesia, continue to develop a more stringent legal framework to regulate Islamic financial products. This aims to protect consumers, avoid financial risks, and maintain the integrity of Islamic financial products in an ever-changing environment. In the contemporary view, strong regulation and compliance with Islamic principles is one of the keys to the long-term success of Islamic financial products.<sup>24</sup>

Contemporary perspectives in the development of Islamic financial products reflect the latest dynamics and developments in the Islamic financial industry, which continues to change in line with the demands and expectations of society and changes in regulations.<sup>25</sup> Here are five contemporary perspectives:

**Product Innovation:** Contemporary perspectives underline the importance of innovation in Islamic financial products. The development of financial technology (fintech) has provided a major impetus for the creation of new products that are in accordance with Islamic principles. An example is the crowdfunding platform that allows financing of projects on a profit-sharing basis. Such innovation reflects a response to increasingly complex market demands and greater variety in Islamic financial products.<sup>26</sup>

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<sup>24</sup> Wibawa, Muttaqin, And Sumaryana, "Multiakad Pada Lembaga Keuangan Syariah Kontemporer," 101.

<sup>25</sup> Arif Pujiyono, "(Suatu Kajian Terhadap Sistem Pembayaran Islam Kontemporer)" (n.d.): 77.

<sup>26</sup> Abdul Mujib, "Pendekatan Tafsir Produk Perbankan Syariah," *Muqtasid: Jurnal Ekonomi dan Perbankan Syariah* 6, no. 1 (June 1, 2015): 43.

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Improving Islamic Financial Literacy:<sup>27</sup> The public is becoming more aware of Islamic financial products and their principles. This creates a demand for a better understanding of how these products operate. In a contemporary perspective, Islamic financial education and literacy are becoming increasingly important. The more people understand how these products work, the greater the acceptance and adoption of Islamic financial products.

Evolving Regulatory Policies: In many countries, including Indonesia, regulations surrounding Islamic finance continue to evolve. The Financial Services Authority (OJK) and other regulators are working to create a better and more stringent framework for regulating Islamic financial products. A contemporary perspective examines these regulatory changes and how Islamic financial companies must adapt to comply with the prevailing regulations.

Infrastructure and Ecosystem Development: The contemporary perspective also reflects efforts to develop infrastructure and ecosystems that support the Islamic financial industry. This includes the development of Islamic financial institutions, the development of Islamic capital markets, and the promotion of global Islamic financial centers. All of this aims to make Islamic financial products more accessible and competitive at the global level. Responding to Global Challenges: The Islamic financial industry is also responding to global challenges, such as climate change and sustainability. There are increasing efforts to integrate Islamic principles into sustainable investments and financing of environmentally friendly projects. This contemporary perspective highlights the contribution of Islamic financial products in supporting global goals such as the Sustainable Development Goals (SDGs).

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<sup>27</sup> Adiyanto and Purnomo, "Dampak Tingkat Literasi Keuangan Syariah Terhadap Minat Menggunakan Produk Keuangan Syariah," 2.

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This contemporary perspective reflects the ever-evolving dynamics in the Islamic financial industry, along with technological developments, regulatory changes, and increasing public understanding of Islamic financial products. It also emphasizes the importance of keeping up with the latest developments in creating products that are relevant and competitive in the global financial environment.

**Development of Islamic financial products in line with contemporary trends**

In the modern era that is constantly changing and globally connected, the development of Islamic financial products that are in line with contemporary trends has become very important. The Islamic financial industry, which is based on Islamic sharia principles, has an increasingly significant role in the global economy.<sup>28</sup> In this context, Islamic financial products that are relevant to contemporary trends are key to responding to challenges and taking advantage of existing opportunities.

Innovation is an essential element in developing Islamic financial products that are in line with contemporary trends. Rapid technological change has opened the door to new products that can meet increasingly complex market needs.<sup>29</sup> Fintech, short for financial technology, has played a key role in driving innovation in the industry. From peer-to-peer (P2P) financing platforms to digital banking applications, fintech has transformed the way people access and use Islamic financial services. A prime example is the emergence of crowdfunding platforms that allow individuals and businesses to obtain

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<sup>28</sup> Siti Kholijah, "Akad Murakkab dalam Produk Keuangan Syariah," *Jurnal BAABU AL-ILMI: Ekonomi dan Perbankan Syariah* 5, no. 1 (April 30, 2020): 110.

<sup>29</sup> Ahmad Syaichoni, "Ijarah Maushufah fi Al-Dzimmah dalam Kajian Muamalah Kontemporer," *Jurnal Syntax Transformation* 1, no. 10 (December 23, 2020): 668–675.

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financing based on the profit-sharing principle, one of the core principles of Islamic finance. Such innovations create products that are more inclusive and accessible to a wide range of people.

However, the development of innovative Islamic financial products must also ensure that they remain compliant with strict Islamic principles, such as the prohibition of *riba* (usury) and other haram practices. This creates technical challenges in designing products that meet Islamic criteria and remain competitive in a rapidly changing global market.

In addition to technological factors, the development of Islamic financial products must consider changes in consumer behavior and preferences. An increasingly digitally connected and aware society of Islamic financial products demands greater accessibility and choice. Therefore, Islamic financial products must be designed to be easily accessible through digital platforms and can meet the needs of diverse consumers.

Global trends also play an important role in the development of Islamic financial products that are in line with contemporary trends. Changes in global economic dynamics, for example, can affect the availability of appropriate Islamic investments. Sometimes, Islamic financial products must be able to adapt to changes in the global economic environment, including changes in currencies and capital markets.<sup>30</sup> Not only must the Islamic finance industry understand and respond to external trends, but it must also consider ethics in product development. Trust and integrity are key elements in Islamic finance, and products must reflect ethical values in transacting and investing. This

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<sup>30</sup> Budi Sukardi, "Corporate Governance Engineering of Islamic Banking and Finance: Tantangan Globalisasi Sistem Ekonomi dan Pasar Bebas," *TSAQAFAH* 9, no. 1 (May 31, 2013): 153.

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includes transparency in product offerings, responsible risk management, and avoiding practices that may be considered unethical in the eyes of the Shariah.

Sharia financial education and literacy are also important aspects in developing products that are in line with contemporary trends.<sup>31</sup> The more people understand the principles of sharia and its benefits, the greater the acceptance and adoption of sharia financial products. Therefore, sharia financial education and literacy campaigns become an integral part of the product development strategy. In the context of regulation, the development of sharia financial products must also comply with the legal framework applicable in the country. In many countries, including Indonesia, there are regulations governing the sharia financial industry, issued by the Financial Services Authority (OJK) and other regulatory bodies. The success of sharia financial products also depends on the ability of companies and financial institutions to comply with applicable regulations.

Developing Islamic financial products that are in line with contemporary trends is a challenge that requires a deep understanding of the market, technology, and Islamic principles. However, by focusing on innovation, adherence to Islamic principles, use of technology, consumer education, and regulatory compliance, the Islamic financial industry can continue to thrive and provide relevant and sustainable financial solutions for the Muslim community in the modern era.

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<sup>31</sup> Muhammad Syarif Hidayatullah, "Urgensi Mempelajari Fikih Muamalah Dalam Merespon Ekonomi Dan Keuangan Kontemporer (Membangun Paradigma Ekonomi Syariah di Masyarakat)" 5 (2021): 36.

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## CONCLUSION

Islamic financial products are financial instruments that follow the principles of Islamic sharia, with the prohibition of usury as the main principle. The principle of profit sharing (*mudarabah*) and ethical use of funds are also the focus in the development of these products. Understanding Islamic financial products is an important basis in understanding the legal and ethical challenges in the development of these products. The legal basis governing Islamic financial products in Indonesia includes the Islamic Banking Law, OJK regulations, DSN fatwas, and other related laws. This legal framework is the basis for the development and operation of Islamic financial products in Indonesia.

The legal challenges in developing Islamic financial products are complex. These products must comply with Islamic principles, applicable laws and regulations, while formulating contracts that are in accordance with Islamic principles, managing risks carefully, and avoiding instruments that conflict with Islamic law. Compliance with DSN fatwas and consumer protection are also important focuses.

Ethical challenges in developing Islamic financial products include corporate social responsibility, transparency, integrity in handling customer funds, avoiding conflicts of interest, implementing Islamic ethical principles, internal control, and commitment to Islamic financial education. Ensuring integrity and trust are key to building a sustainable Islamic financial industry.

The contemporary perspective reflects the importance of Islamic financial products in responding to social, economic and technological changes. Innovation, increasing literacy, evolving regulations, infrastructure development and responding to global challenges are key elements in this

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perspective. The Islamic financial industry must be able to follow contemporary trends and remain in accordance with Islamic principles.

Developing Islamic financial products that are in line with contemporary trends requires innovation that combines Islamic principles with technology and an understanding of evolving markets. These products must also take into account changes in consumer behavior and preferences as well as global trends. Islamic financial education and literacy are essential, as is compliance with applicable regulations. By focusing on these elements, the Islamic financial industry can continue to grow and provide relevant financial solutions for the Muslim community in the modern era. The development of Islamic financial products does have significant challenges, but with a deep understanding of Islamic principles, innovation, regulatory compliance, and attention to ethics, the industry can continue to grow and provide significant benefits to Muslim communities around the world.

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