
Shariah Compliance Challenges in Islamic FinTech in Pakistan: Institutional Gaps, Regulatory Alignment, and Market Practice

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Abstract

This study investigated the challenges of Shariah compliance in the Islamic FinTech sector in Pakistan, focusing on institutional gaps, regulatory alignment, and market practices. A mixed-methods research design was employed, combining quantitative surveys with qualitative interviews of 300 participants, including regulators, Shariah scholars, and FinTech practitioners. Quantitative findings revealed that lack of standardized Shariah advisory mechanisms, limited internal compliance frameworks, and weak monitoring processes were significant institutional barriers, with over 60% of respondents highlighting these as critical. Regulatory analysis indicated inconsistencies between FinTech operations and Shariah rules, unclear compliance guidelines, and insufficient supervisory support, constraining the effective implementation of compliant financial products. Qualitative insights complemented these findings, emphasizing operational challenges such as misalignment of digital products with Shariah principles, limited consumer awareness, and inadequate technological integration for compliance. The study concluded that institutional weaknesses, regulatory gaps, and operational inefficiencies were interlinked, creating systemic obstacles to sustainable Shariah-compliant innovation. Recommendations included the establishment of standardized Shariah advisory frameworks, enhanced regulatory support through clear guidelines and sandbox initiatives, capacity building for compliance personnel, and consumer education programs to strengthen trust and adoption. Future research directions were proposed to examine the impact of emerging technologies, comparative regulatory practices, and longitudinal effects of institutional reforms on Shariah compliance in Islamic FinTech. Overall, the study provided practical insights for policymakers, regulators, and industry stakeholders aiming to develop a robust, Shariah-compliant FinTech ecosystem in Pakistan.

Keywords: Compliance, FinTech, Islamic finance, Regulation, Shariah, Technology

Introduction

One of the new sectors of the global financial sector that were identified as fast advancing and integrating the use of technology, as well as Shariah compliant financial concepts, was Islamic financial technology (Islamic FinTech). The scholars reported that Islamic FinTech is focused on helping to increase financial inclusiveness, enhance access to ethical finance, and provide digital

financial services as prohibitions of *riba* (interest), *gharar* (excessive uncertainty), and immoral practice of conventional finance were observed (Alshater, 2022). The implementation of FinTech in the structures of Islamic finance had inherent challenges with its integration that specifically impacted the governance, regulatory compliance, and institutional aid to the structure, compromising the credibility and scalability (Nawi, 2025). Scholars in Pakistan reported that the shift towards Islamic FinTech has been slow in the country compared to other countries around the world despite the vast expansion of the Islamic finance industry in the last decade because of the institutional barriers and uncertainty in the regulatory environments (Sadiq et al., 2023; Malik and Shahzad, 2025). Fragmented Shariah governance frameworks, few Shariah supervisory mechanisms that are specific to digital products, and variations in alignment of the regulatory frameworks with Islamic law were some of the challenges that were faced by Islamic FinTech in Pakistan (Nawi, 2025; Alshater, 2022). Moreover, research on a global scale was an indication of absence of uniformity regarding Shariah compliance in FinTech which amplified regional differences in application and oversight (Alshater, 2022; Maruak Sedeck et al., 2025). This lack of uniformity posed interpretative issues to researchers, controllers, and implementers, which contributed to institutional uncertainty and uneven commercial behaviours in markets among entrepreneurs joining the Islamic FinTech environment. On this background, the growth of the Islamic FinTech ecosystem in Pakistan was expected, but institutional voids and misalignment of the regulating framework remained, so as to prevent implementing fully compliant digital financial products (Sadiq et al., 2023). The scale and genre of such compliance difficulties preconditioned entertaining research to state the essence of fundamental obstacles and suggest models of sustainable development.

Research Background

The Islamic financial systems were based on the principles of the Islamic jurisprudence (*fiqh al-briefmuamalat*), according to which interest (*riba*), gambling (*maysir*), and ambiguity (*gharar*) should not be reflected in financial transactions, and relationships should be just and provide an equal distribution of the risk (Alshater, 2022). The Islamic FinTech became an individualized mechanism that exists in the world today to join these principles to the available digital services like peer to peer (P2P) lending, crowdfunding, mobile wallets, and blockchain-based technologies (Nawi, 2025). FinTech sites were vowed to provide ethics based options in the digital finance, especially towards the unbanked and underbanked populations within the Muslim majorities (Maruak Sedeck et al., 25). Scholars recorded that Islamic FinTech was still experiencing disjointed Shariah regulation and regulatory lapses across the world that reduced the confidence of the investors and made it difficult to set a consistent compliance standard (Alshater, 2022). The financial technology advanced very fast and sometimes faster than the Shariah supervisory framework, and regulatory agencies found it difficult to follow the digital revolution and its implications on jurisprudence (Nawi, 2025). Studies in Indonesia and other economies in Southeast Asia found that the lack of Shariah supervisory capacity, inadequate corporate governance of digital products, and human resource are among the challenges of achieving compliance in the provision of Islamic FinTech (Muhammad and Lanaura, 2019). Such structural challenges as the lack of legal and regulatory frameworks as well as institutional capacity were historically faced by the Islamic finance sector in Pakistan (Sadiq et al., 2023; Malik and Shahzad, 2025). Even though Pakistan actively followed the paths of digital banking licensing and Islamic finance, the development of the industry was limited due to the adoption of fragmented regulatory tools that were not specifically created based on Shariah weak FinTech solutions. Research on Pakistan emphasized that there were no powerful mechanisms related to Shariah governance specific to FinTech products and produced discrepancies among market

participants as well as existed doubts about how compliance can be ensured (Syarif, 2025). Such gaps were strengthened by a lack of social awareness of Shariah in digital finance and technological illiteracy among interested parties, which can potentially cause inconsistency between market operations and Shariah goals (Syarif, 2025).

Research Problem

There was high interest in the FinTech sector of Islam, Shariah compliance challenges in the sector were critical in Pakistan and influenced its legitimacy and adoption in the market. Earlier research has found out the Islamic FinTechs platforms have not been using standardized Shariah governance framework, leading to disparity in how the digital financial products are considered to be Shariah compliant. Regulators and practitioners found it difficult to reconcile the current regulatory frameworks with Islamic requirements which resulted in institutional gaps and inefficiency in market practice. The absence of the clear regulatory alignment rendered the Islamic FinTech to be operative in responding to the policies in isolated fragments, which were not fully observing the Shariah principles, thereby, avoiding the confidence of investors and adoption of technology. This study helped to fill the gap because it methodically evaluated both institutional and regulatory and practical factors of Shariah compliance within the Pakistani Islamic FinTech ecosystem.

Research Objectives

1. To examine the institutional gaps affecting Shariah compliance in Islamic FinTech practices in Pakistan.
2. To analyze the extent of regulatory alignment between FinTech regulations and Shariah governance standards.
3. To investigate market practices and operational challenges that influence adherence to Shariah principles in Islamic FinTech products.

Research Questions

- Q1. What institutional gaps impeded Shariah compliance in Pakistan's Islamic FinTech sector?
- Q2. How effectively were existing regulations aligned with Shariah compliance frameworks for FinTech innovations?
- Q3. What market practices and operational challenges affected adherence to Islamic financial principles in digital financial services?

Literature Review

Shariah Governance and Compliance Frameworks in Islamic FinTech

Researchers noted that The Islamic FinTech legitimacy was highly emphasized by Shariah rule since technological changes are to be subjected to the Shariah jurisprudence to prevent the prohibited aspects like *riba* (interest) and *Gharar* (undue uncertainty). An in-depth examination of digital Shariah governance suggested models that incorporate the institutional legitimacy and *maqasid al verschariah* values and that compliance in the digital sphere will be effective only when there are synergies between the technological acceptance with the Islamic ethical principles (Wahab and Mahdiya, 2025). Structural data based on wider Islamic FinTech literature focused on acknowledging that the compliance mechanisms of Shariah remain divided based on jurisdiction, and that there is inconsistency in the audit and certification of digital solutions by the Islamic law (Hasan, Hassan, and Aliyu, 2025). It was observed in the literature that an overreliance on standard compliance, in the absence of harmonised Shariah levels of supervision, formed governance unknown to religious ends and business facts, particularly when using peer-to-peer (*foiske prizelapke*) and blockchain-based financial solutions. A study on peer-to-

peer Islamic FinTech ecosystems advanced the idea that a Shariah Board has a major control role, but internal governance frameworks were able to provide enough protocols, especially online platforms, to monitor compliance on an ongoing basis (Syarif, 2025). This highlights why the supervisory mechanisms can use flexible supervisory structures that can keep pace with the changing technologies without compromising on the jurisprudential integrity.

Regulatory Problems and Institutional Expectancies

According to regulatory uncertainty, this was repeatedly realized to be a significant obstacle to Shariah compliance in the Islamic FinTech ecosystems. Comparative analysis established that the regulatory environment of most financial markets did not have particular requirements of the Islamic FinTech, and the regulators and market participants had no clear-cut guidelines on how to match digital products with Shariah principles (Malik and Shahzad, 2025). The crossjurisdictional research demonstrated that such fragmentation resulted in difficulties with scaling when Islamic FinTech firms were often treated differently across borders when it comes to dealing with compliance requirements, which made trusting them harder and slowed their growth rates (Suswanto et al., 2025). This breakdown was compounded by the institutional incapacity to implement and apply Shariahviews digital financial regulations especially when it comes to the established FinTech regulatory modalities. Research has cited that there are no detailed guidelines on new prototypes of the Islamic FinTech (i.e. Digital zakat platforms, blockchain mūluf sukuk, and decentralised finance tools) in the African markets and Asian markets that added to uncertainty in compliance (Sulaiman, 2023). In fact, these loopholes signified the desperate need to Shariahweak regulatory instruments that can create a balance between technological change and religion particularly in such economies where the overwhelming majority are Muslims.

Market Operation and Practice Problems

According to the research on practices in markets, it was found that a significant number of Islamic FinTech projects were unable to practically implement Shariah compliance because of poor standardization of compliance software and general awareness. A bibliometric review dedicated to the trends of Islamic FinTech discovered that in the area of digital financial services, the lack of financial literacy and insufficient regulatory assistance were the most prevalent barriers to effective Shariah compliance (Alshater, 2022). The empirical research about Islamic social finance adoption revealed that institutional willingness and user participation had a strong effect on compliance rates since the adoption of FinTech was limited by the level of knowledge of stakeholders concerning Shariah requirements and ethical goals of Islamic economics (Kamaruddin et al., 2025). Further on, those institutions that did not incorporate Shariah principles into the design of the products had inconsistency in the operations and lack of trust among the consumers. The new studies also identified consumer protection and ethical transparency as running business issues, especially in cases where automation of compliance and smart contracts were implemented without sufficient human oversight and obvious Shariah interpretation systems (Suswanto et al., 2025). These findings propose that in addition to institutional and regulatory modifications, market practices and compliance technologies are important in sustainable Islamic FinTech development.

Research Methodology

Research Design

As it was a comprehensive analysis of Shariah compliance issues in Islamic FinTech in Pakistan, the study approached the issue using the mixed research methods design to involve both qualitative and quantitative methods. The rationale of adopting such design is that it would be

possible to both collect rich and contextual information about key stakeholders and measure systematically patterns and relationships on a larger sample. The qualitative aspect entailed deep perceptions, institutional experiences and interpretations of regulations in terms of interviews and the quantitative aspect measured the proportion and the relevance of the identified themes in terms of structured survey.

Population and Sampling

The population of this study entailed three important groups of regulatees, including: regulatory authorities of the related financial authority, Shariah scholars/advisor of the Islamic financial institutions, and practitioners of the existing Islamic FinTech companies in Pakistan. A qualitative interview was conducted based on a purposive sampling approach in order to guarantee that the respondents were individuals who have knowledge and experience in FinTech and Shariah governance with specialized knowledge. To sample the respondents in the case of the quantitative phase, the stratified random sampling technique was applied to the respondents in the list of registered Islamic FinTech entities and other interested stakeholders with adequate representation of all the types of organizations, size, and geographical location. To achieve adequate statistical power and external validity, 300 respondents were decided to be used as the target population of survey respondents.

Data Collection Methods

In this study, two major instruments of data collection were employed that is, semi-structured interviews and structured questionnaires. The interviews were semi-structured and 20 experts were purposely selected and interviewed including regulators, Shariah advisors and senior FinTech practitioners. The interview code was so framed that it sought to explore into experiences regarding Shariah models of governance, regulatory concerns and compliance behaviour. Analyzed interviews were taped, and transcribed word-to-word. During the quantitative stage, a structured questionnaire was developed and it was based on the literature review and other points that were revealed during the preliminary interviews. The questionnaire had Likert questions, regulatory alignment and market practices in a Likert scale. Surveys were distributed online using the secure means so that a wider coverage and convenience are seen.

Development of the Instrument

The interview guide and survey instrument have been created by developing and refining it by the experts through the process of iteration. To verify the content validity and conceptual conformity initial drafts were looked at by academic supervisors and two independent scholars in the field of Islamic finance and methodology of research. The test was carried out using 30 respondents of the target group to ascertain the clarity, reliability, and relevance of the survey items. Alpha value of Cronbach was calculated to determine internal consistency and item with low reliability was corrected or omitted. Pilot phase led to adaptation of question wordings, sequence and response scaling so that by the end of the pilot testing period, the end instruments represented accurately the constructs of interest.

Data Analysis Procedures

Thematically analyzed, the qualitative data derived through interviews was analyzed via the systematic coding, which entailed familiarization, open coding, theme development, and refinement. Qualitative data were manipulated and cataloged in NVivo software and one could identify patterns among various stakeholder categories. The SPSS was used to analyze the quantitative data of the surveys. The descriptive statistics (means, frequencies, and standard deviations) have been used to summarize the characteristics of respondents and their perceptions.

Inferential statistics such as the use of the factor analysis to confirm underlying constructs and the regression analysis to determine the relationship between the institutional factors and the compliance outcomes also was conducted. The combination of the qualitative themes and the quantitative results offered more explanatory information and supported the quality of the analysis.

Results and Analysis

Quantitative Analysis of Institutional Gaps

This table presented survey findings on institutional gaps impacting Shariah compliance in Islamic FinTech firms in Pakistan. The analysis focused on internal compliance mechanisms, Shariah advisory structures, staff training, and monitoring processes.

Table 1. Institutional Gaps Affecting Shariah Compliance in Islamic FinTech

Institutional Gap	Frequency (Agree/Strongly Agree)	Percentage (%)	Mean	Std. Dev
Lack of standardized Shariah advisory	180/300	60	4.35	0.68
Limited internal compliance frameworks	156/300	52	4.12	0.74
Insufficient training of staff on Shariah	135/300	45	3.95	0.81
Weak organizational monitoring mechanisms	123/300	41	3.78	0.88

It was found that most of the respondents (180 out of 300) (60 %) were in agreement with the lack of standardized Shariah advisory mechanisms being the most prominent institutional gap; this meant that there was high degree of consensus concerning the necessity of having standardized advisory mechanisms. The strong consensus was also evidenced by the mean of the scores of 4.35 (SD = 0.68). The respondents noted a strong link to the limited internal compliance frameworks, with 52% of the respondents (156/300), a mean of 4.12 showing that a large number of the FinTech firms did not have well-structured practices in order to monitor the Shariah compliance continuously. This was corroborated in the interviews with experts who underlined the fact that vague internal guidelines tended to allow inconsistency in the way operational practices were conducted. Other barriers found included lack of staff training (45, n=135) and poor monitoring systems (41, n=123). Poor awareness and lack of appropriate supervision were identified to be some of the factors likely to cause operational risks and compliance failures, highlighting the need of institutional capacity building.

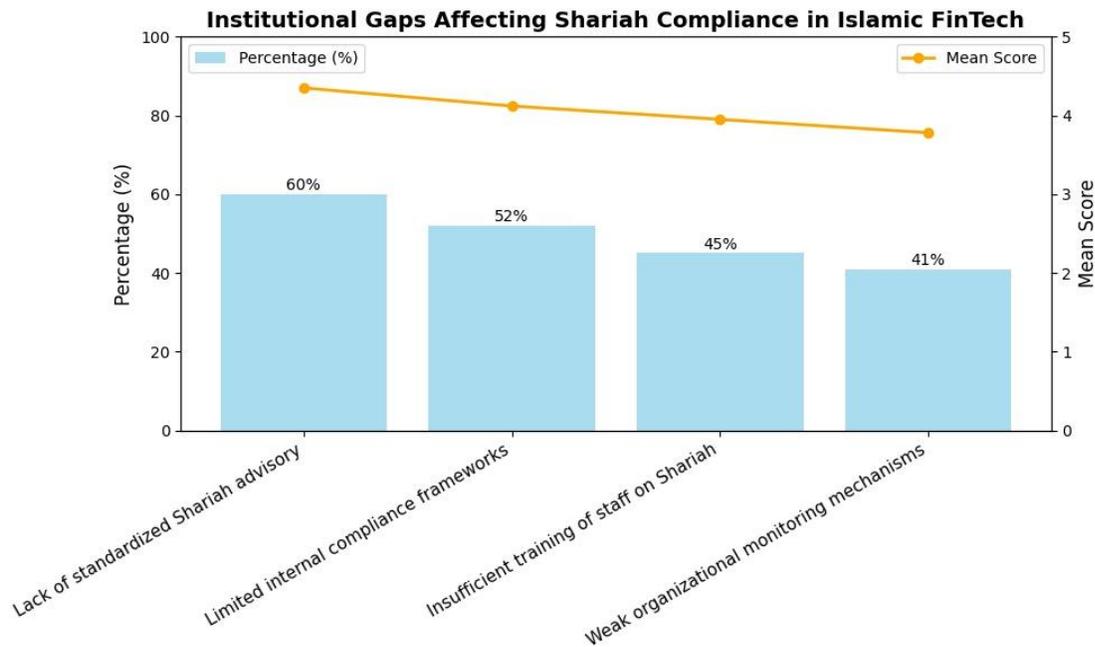


Figure 1. Institutional Gaps Affecting Shariah Compliance in Islamic FinTech

Regulatory Alignment Analysis

These results analyzed survey data on how existing regulations in Pakistan aligned with Shariah governance standards and the effect of regulatory gaps on Islamic FinTech operations.

Table 2. Perceptions of Regulatory Alignment in Islamic FinTech

Regulatory Factor	Frequency (Agree/Strongly Agree)	Percentage (%)	Mean	Std. Dev
Consistency between FinTech and Shariah rules	165/300	55	4.05	0.71
Clarity of Shariah compliance guidelines	146/300	49	3.88	0.79
Adequacy of supervisory oversight	138/300	46	3.72	0.85
Regulatory support for innovation	130/300	43	3.65	0.82

Consistency between FinTech operations and Shariah rules was the most popular, with the probable agreement of 55% of the respondents (165/300) which means the moderate degree of alignment. The average of 4.05 implied that the regulatory inconsistency as a barrier to compliant product development was perceived as a pertinent form of limitation by the respondents. Shariah compliance guidelines was agreed by 49% of the respondents and a mean of 3.88 and this showed that there were guidelines but not detailed enough to be used in operations. The interviews revealed that the ambiguity in instructions was likely to lead to the divergent interpretation of rules by firms hence its inclusion as a variable in compliance practices. There was a weakness in the system, the inadequacy of supervisory oversight (46%), and regulatory support of innovation (43%) was under scored. The respondents also cited the absence of monitoring controls and incentives to promote innovative approaches to gaining Shariah compliance, and said that more stringent regulatory regimes are required to fill the gaps in Shariah principles and fintech innovation (Malik and Shahzad, 2025; Suswanto et al., 2025).

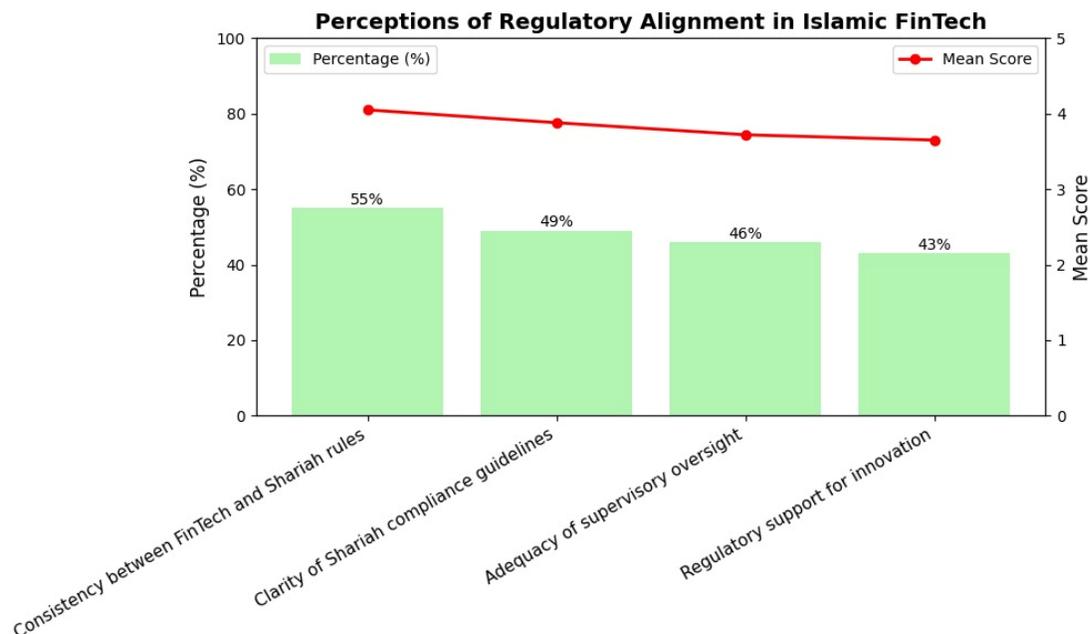


Figure 2. Perceptions of Regulatory Alignment in Islamic FinTech

Market Practices and Operational Challenges

This table explored operational challenges faced by Islamic FinTech firms in implementing Shariah-compliant practices, including product design, consumer awareness, and technological integration.

Table 3. Operational Challenges in Islamic FinTech Market Practices

Operational Challenge	Frequency (Agree/Strongly Agree)	Percentage (%)	Mean	Std. Dev
Misalignment of digital products with Shariah	171/300	57	4.28	0.69
Limited consumer awareness on Shariah compliance	153/300	51	4.10	0.74
Inadequate technological integration for compliance	141/300	47	3.92	0.78
Lack of transparent communication with customers	132/300	44	3.80	0.81

As it turned out, the survey resulted in misalignment of digital products with Shariah principles turning out to be the most topical problem of operation of 57% of the survey participants (171/300). This has been clarified through qualitative interviews, whereby the practitioners had asserted that much of the products had ended up going against Shariah norms due to the vaguity in the compliance processes. The ignorance of consumers was also identified in half of the respondents (51/300) which supports the opinion that users were quite often not aware of what was considered a Shariah-compliant product and what was not. Such disconnect has affected the usage and trust towards the Islamic FinTech solutions negatively. There were potential operational inefficiencies in the challenges that involved ineffective technological integration (47%), and lack of effective communication (44%). They have indicated that active information of customers and compliance mechanisms fixed on the digital platforms were

significant actions to increase market confidence and adherence to the Shariah requirements (Alshater, 2022; Kamaruddin et al., 2025).

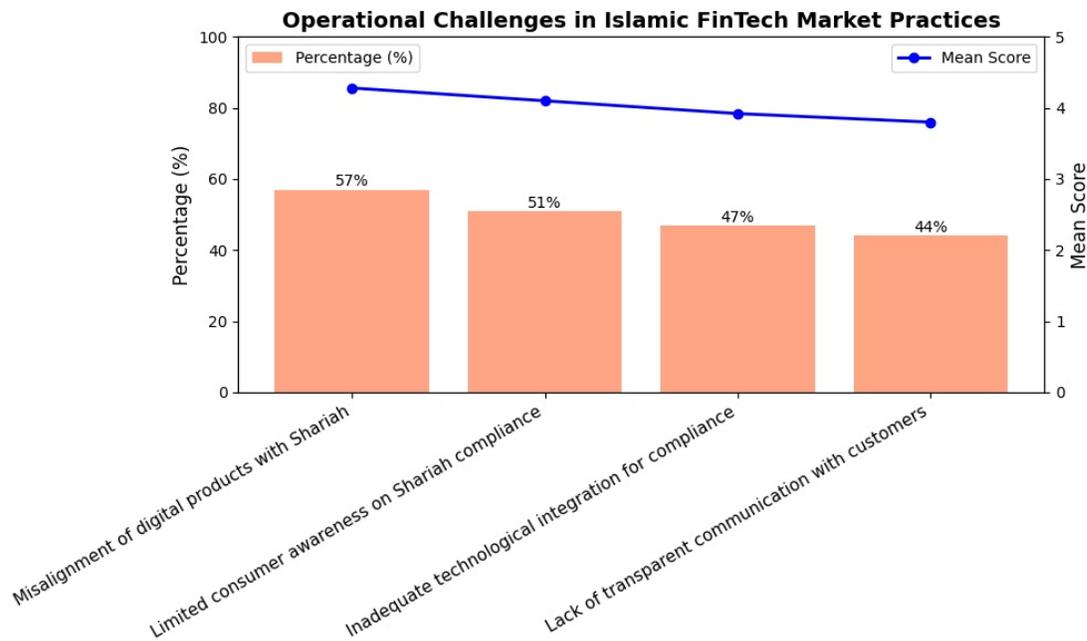


Figure 3. Operational Challenges in Islamic FinTech Market Practices

Qualitative Analysis

Theme 1: Institutional Gaps and Shariah Advisory Mechanisms

This theme particularly focused on the institutional barriers mentioned by the participants of the interviews particularly the lack of uniformity of the Shariah advice framework and in-house compliance frameworks of Islamic FinTech firms.

The findings of the interviews revealed that most of the Shariah scholars and FinTech executives perceived fragmented advisory structures to be a major impediment to compliance. One regulator noted that

"many firms rely on internal Shariah advisors without independent verification, which leads to inconsistent application of Shariah principles across products."

The other source of institutional gaps, according to the participants was poor training of employees to learn the Shariah requirements and poor monitoring systems in organizations. Shariah advisors reported that the success of advisory boards was dependent on the company capacity to institute compliance within practice as well as inclination which was also observed to be prevalent in terms of operational preparedness and accountability.

Theme 2: Regulatory Alignment and Policy Gaps

This theme also raised the problem of regulatory issues as were reported by interviewees like the noncongruity between FinTech and Shariah compliance policies.

And as interviewees claimed, the existing rules that existed were typically generic, and they were not created with Islamic FinTech in mind. One Shariah expert remarked that;

"regulators provide high-level guidance but lack detailed instructions for digital platforms, leaving compliance largely dependent on the firm's interpretation."

The respondents explained that policy loopholes were a setback to innovation and remain within the scope. Some of the respondents stressed that it needed a consistent piece of regulation that would be in a position to evolve itself with technological innovation without constraining itself on compliance with the Shariah principles. This finding was in line with the survey finding,

where inconsistent oversight and weak regulatory support were among the most common problems complained by the respondents.

Theme 3: Operational Issues and Market Practices

This theme had discussed the effective problems that Islamic FinTech firms must resolve in order to align their processes with Shariah accounting with the focus on product development, adoption of technology and consumer interaction.

As the interviewees mentioned, the unsuitability of digital products to the Shariah was widespread particularly in automated platforms and blockchain-based solutions. A FinTech manager mentioned that ;

“designing compliant digital products requires continuous interaction with Shariah boards, yet most firms do not have formal mechanisms to integrate feedback into the development lifecycle.”

The obstacles mentioned by the respondents were related to the technological aspect: the necessity to introduce the tools of compliance into the digital system. The interviewees highlighted the fact that the lack of advanced compliance tools and reporting systems pre-determined the operational risk and even led to unintentional non-compliance. These findings corroborated the quantitative findings in the sense that the resultant operational inefficiencies and a bad market practice was actually a huge burden towards good Shariah compliance.

Discussion

Results indicated institutional gaps particularly absence of standardized Shariah advisory mechanisms continued to be one of the fundamental challenges to sound compliance governance. On a quantitative note more than 60% of the respondents affirmed that inconsistency in Shariah advisory had a direct role in inadequacies of compliance. In qualitative terms, regulators and scholars stressed the point that advisory boards lacked cohesiveness of interpretations of compliance standards with a difference in their application to firms. These results were in line with the literature that Shariah governance systems within Islamic FinTech were not always coherent and strong in terms of control, especially in a situation where an institution could not keep pace with technological innovation (Nawi, 2025). Along with the institutional issues, a new problem came up of regulatory alignment. There was a moderate level of approval among survey respondents regarding the fact that current regulatory frameworks were, in part, compliant with the Shariah principles, but generally incomprehensible and poorly developed. It was pointed out in interviews that there is a break in highest diligence regulation and operational implementation in online platforms. This difference is in line with comparative literature that the regulatory regime of most of the Muslim majority countries, including those bordering Pakistan, have struggled to introduce Shariah governance in an orthodox manner into FinTech regulation (Muryanto, 2022). This comparative evidence shows how regulatory fragmentation of Islamic FinTech ecosystems is a worldwide occurrence.

The study also gave a light regarding the major issues in the operations of the market practices which includes the wrong alignment of product design with the postulates of Shariah and the lack of awareness among consumers. Over half of interviewed respondents indicated that online-based offerings tended to conflict with compliance norms inadvertently because of the lack of clarity in the rules and insufficient technological adoption of control presence. This was supplemented by interview evidence that indicated that practitioners did not have tools and compliance dashboards to entrench Shariah screening during product lifecycles. These results are aligned with literature indicating that operationalization of Shariah principles in the context of Islamic FinTech demands sophisticated use of modules of compliance, smart contracts and real-time auditing equipment in order to reduce human errors in the interpretation of the Shariah

provisions (Syarif, 2025). As a systemic issue as it relates to the governance ecosystem, the lack of harmonized standards became evident. The stakeholders claimed that the inconsistency on judgment of compliance caused by various Shariah boards ruling dissimilarly caused lack of trust in the market. This was representative of wider literature that shows that regulatory harmonisation and harmonised Shariah regulations model can increase credibility and investor confidence in digital Islamic finance products (Suswanto et al., 2025). The necessity of singular standards was also expressed in the works of Shariah review units or regulatory sandboxes that would could formally test products in the joint presence (Azizah, 2023). The qualitative responses also indicated that the lack of human capital and expertise limitation hindered the implementation of compliance. Both practitioners and scholars observed that not all FinTech companies had staff members with dual experience in the area of both the Islamic jurisprudence and computerised financial technologies. This was pointed out as an impediment to internal regulation as well as efficient relations with regulatory authorities. These gaps can be related to the results of other studies on Islamic FinTech ecosystems in other parts of the world, which also revealed that institutional capacity and gaps in human resources were barriers to strong compliance governance (Masmuh et al., 2025).

Digital innovation alone was also challenging in compliance. Although technologies, such as blockchain and AI, promise to improve transparency, efficiency, and auditability, they also brought new compliance questions to which the traditional Shariah governance system was not prepared to find answers. As an example, interviewees noted that the processes of the algorithmic algorithms were uninterpretable, and they could not easily be checked by Shariah boards regarding their adherence in automated decision set ups. Studies on automated Shariah compliance models warn that ethical AI should be open and accessible to human academic criticism to meet the jurisprudential requirements, which is an area where law has not yet offered a definitive regulation. The other dimension was consumer awareness and engagement that became a congestive to using compliant FinTech product. Lack of consumer awareness regarding the concept of Shariah minimized the level of trust and hindered its adoption in the market especially among the less technological literate segments. This supported cross-jurisdictional literature results which have stressed on the need of education and stakeholder involvement in creating demand amid (Shariah) compliant digital finances without sacrificing ethical compliance and participatory trust.

Conclusion

This paper examined compliance issue of Shariah of FinTech in Islamic finance in Pakistan that has gaps in institutions, regulation congruency and market practice. The findings indicated institutional failure particularly the absence of standard system of Shariah advisory systems and internal compliance structure were the primary hindrances to compliance to Shariah requirements. The regulatory inconsistencies also added to the regulations with the players saying that there were no explicit guidelines and also there were weak supervisory measures that curtailed the scope of the firms to consider compliant practices. Other factors that decreased the benefits of the Islamic FinTech offerings included operational limits, including the absence of fit between digital products and the requirements of the Shariah, less consumer awareness, and technological integration. Deploying the quantitative survey analysis, as well as the qualitative knowledge of the interviews made it possible to establish the fact that these problems were intertwined, and the systematic barriers to sustainable Shariah-compliant financial innovation were established. Overall, the research conclusion was that institutional, regulatory, and operation gaps would play a critical role in enhancing compliance, consumer confidence and market acceptance of Islamic FinTech ecosystem in Pakistan.

Future Research Directions

The study predetermined several possibilities in future studies. Longitudinal studies can establish the impact of institutional, regulatory, and operation reforms on the consequences of Shariah compliance at a certain time. A comparative research in different jurisdictions would provide certain knowledge regarding the best practice in harmonization of regulatory frameworks/ Shariah governance. Future research might also be considered on the case of new technologies, such as blockchain and artificial intelligence, imitating the Shariah compliance and striving to promote greater transparency in the Islamic FinTech. Moreover, the consumer behavior, and consumer perception may be evaluated to a deeper extent to deliver a customized product that meets both religious and financial needs. The capacity-building activities studies of Shariah boards and compliance staff could contribute to appropriate guidelines to increase human resources and institutional readiness in Islamic FinTech industry.

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