



Artificial Intelligence (AI) in Islamic Finance: A PRISMA-Guided Systematic Review on Sharia Compliance

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Abstract

This paper seeks to explore the role of AI in the Islamic finance context, in terms of its opportunities, challenges, and its compliance with Sharia principles. The adaptation of AI has transformed traditional finance. However, its integration into Islamic finance is still fragmented, which raises doubts about its alignment with the core principles of Sharia ethics and governance. In order to address this existing gap, the study adopts a PRISMA-guided systematic review, synthesizing and analyzing 26 peer-reviewed publications published between 2020 and 2025. Findings of this study reveal that AI adaptation has several opportunities which enhance efficiency, transparency, financial inclusion, and Sharia auditing; all aligning with the core of Maqasid al-Sharia (higher objectives of Shari'ah rules). Despite these opportunities, several challenges such as high implementation cost, skills gap, cybersecurity risks, and algorithmic bias, affect the implementation of AI in Islamic finance. The major issue about these difficulties is the conformity of Sharia with regulatory gaps and the expanding responsibilities of Sharia boards, necessitating immediate attention. The study has limitations as it relies on secondary data obtained from Scopus-Indexed and Google Scholar databases. It has been recommended to future researchers to adopt empirical studies and cross-disciplinary collaboration regarding AI's integration into Islamic finance to ensure that it maintains both innovative and compliant.

Keywords : Artificial Intelligence, Islamic Finance, Sharia Compliance, Maqasid al-Sharia, Governance, Opportunities and Challenges

INTRODUCTION

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Artificial intelligence (AI) is considered a creative technology that can significantly improve the efficiency, speed, and accuracy of data analysis (Wazin et al., 2025). This innovation has become a game-changer in the financial market, particularly in the context of Islamic financing, where AI can help institutions comprehend and manage risks better by adhering to Islamic Sharia principles of fairness, transparency, and non-speculation. In Islamic finance, Sharia compliance is critical as it seeks to integrate religion and modern practices, unlike other financial sectors, which focus solely on profits. The emergence of financial technology (FinTech) in the 1990s gave rise to what is currently referred to as the FinTech revolution, which is the peak of incorporation of technology in finance (Khan et al., 2023). The current revolution in financial technology (FinTech) centers on the utilization of artificial intelligence (AI) and machine learning (ML), which in turn streamlines automated decision-making as well as improves functioning alongside service delivery and fraud detection systems (El Hajj & Hammoud, 2023). The same study predicted a value increase of one trillion dollars in the financial sector as a result of adopting these technologies by the year 2025.

In Islamic finance, the impact of the new technology's evolution comes with opportunities as well as predicaments, especially with respect to ethical and religious dimensions. Unlike conventional finance, Islamic finance operates under the tenets of Sharia law, which prohibit *riba* (usury), *gharar* (excessive uncertainty), and *maysir* (games of chance). In addition, it promotes equity, partnership, and social justice. The incorporation of AI in Islamic finance is not only productive but also minds the moral reflection and faithful obligations. Integration of AI in this industry would greatly aid them to address Sharia compliance and monitoring problems, risk assessment, and financing capacity, particularly in marginalized populations (Wazin et al., 2025). For instance, machine learning can perform automated Sharia-compliant audits of contracts and transactions, thus significantly lowering the cost and the intricate nature of Sharia audits. In this context, AI presents opportunities beyond operational efficiency by enabling the integration of modern financial systems with *Maqasid al-Sharia* (higher objectives of Shari'ah rules) principles.

The application of AI technologies has potential opportunities for enhancing innovation and efficiency in Islamic finance. Nevertheless,

there are several challenges accompanying its implementation. One of the main challenges is the risk of non-Sharia compliance. Financial products and services must pose the value of religiously legitimate, rather than being technically efficient alone. A little breach of the principles of the Sharia could lead to several consequences, such as the loss of stakeholders' confidence and credibility, reputational damage, and clients may withdraw their money from the institution if they feel that the institution did not uphold religious obligations (Syed Alwi et al., 2022). In addition, the capacity of decision-making processes using the AI systems often functions as "black boxes," which serve as an obstacle in verifying if the system adheres to Islamic principles of responsibility and transparency. Such gaps in explanation in AI systems pose ambiguity, which, in the context of Islamic financial institutions, threatens their credibility. Noor et al. (2024) state that the impacts of the risks arising from non-compliance with Sharia law (SNCR) are severe, affecting the profitability and general standing of Islamic finance.

The use of AI solutions in Islamic finance is restricted by legal, regulatory, and ethical challenges. For traditional finance, AI governance already poses challenges due to the absence of an elaborate design framework. In Islamic finance, the challenges are much deeper rooted, as the need to reconcile the global pace of technology innovation with the bounds of faith-based principles would require regulators to set some benchmarks (Lee, 2020). As pointed out by Yuspin et al. (2022), the legal frameworks of Islamic banks do not use AI technology in their operations. This legislative gap increases the likelihood of uneven applications of AI, whereby institutions deploy AI technology in a manner that contravenes explicit Sharia norms, endangering consumer protection and stability of the system. Particularly, it is important to fill this gap to protect the reputation of Islamic finance from the perception that AI-embedded technologies would weaken the perception of the discipline.

Recent years have seen greater attention towards the impacts of AI-technology advancements in the finance industry. AI-enabled capabilities can reinvent various processes, from risk detection to predicting and even workflow optimization. These, however, underestimate the adoption of AI technology on Islamic financing. Abdullah et al. (2024) and Hamadou et al., (2024) highlight the benefits of AI, focusing in particular on effectiveness and monitoring of compliance, but also stress its perils: bias,

non-transparency, and lack of scrutiny. The majority of the existing studies, including Sholihin et al. (2021) and Hasan et al. (2020) do, however, consider these factors separately, harnessing the productivity improvements of AI automation or raising concerns about compliance-related AI automation, without any composite synthesis specifically relevant to Islamic finance automation.

This study has three primary objectives: First, it aims to explore opportunities for AI adoption to enhance operational efficiency, risk management, and financial inclusion at Islamic financial institutions. Second, it aims to investigate problems related to AI adoption, including governance gaps, algorithmic bias, and challenges of Sharia compliance. Third, it assesses the role of technological frameworks in ensuring Sharia compliance and enhancing creativity in line with both ethical and Islamic needs.

Existing research on AI in Islamic finance is fragmented. Narrative reviews tend to focus either on opportunities or risks, without emphasizing how AI capabilities can be used to deliver results in Sharia governance, which is in line with *Maqasid al-Sharia*. As a result, regulators and practitioners do not have a consolidated view of where AI fits within the higher objectives of Shari'ah rules and where governance should intervene. Existing reviews also do not follow a PRISMA-based synthesis approach and do not include a testable model for opportunities, risks, and controls. This study remains relevant given the scarcity of literature on this topic. It offers a PRISMA-informed systematic review (2020–2025), involving a thematic analysis of findings, and the development of a conceptual framework that outlines capabilities, outcomes, governance practices, and *Maqasid al-Sharia* with clear recommendations for research and practice.

This synthesis enhances theoretical understanding by unifying different research into a coherent framework, while also providing structured guidance to policymakers, regulators, and practitioners who incorporate AI into Islamic banking, representing a practical contribution. As such, this paper underscores that the issue is no longer whether AI impacts Islamic finance as it undoubtedly does, but how the sector can take advantage of AI's benefits while upholding its core principles. A systematic, evidence-based grasp of these relationships is essential to

positioning Islamic finance competitively in the world while safeguarding its moral obligations amidst swift technological upheaval.

LITERATURE REVIEW

AI Applications in Finance

AI has spread massively worldwide in the financial services, and now it plays an integrated role as an essential technology for automation, predictive analytics, and maintaining customer relations, around the world. Ultimately, AI, and specifically ML, augments decision-making with the ability to analyze large-scale datasets, recognize patterns, and deliver real-time insight, whilst human analysts can't keep up. In traditional finance, AI use cases include credit scoring, algorithmic trading, fraud detection, and portfolio management. Machine learning and deep learning models are already "embedded" into processes such as risk and fraud detection and demonstrate clearly that these models offer precision and scalability far beyond what traditional systems offer (Abdullah et al., 2024).

Since *gharar* (excessive uncertainty) is prohibited in Sharia, risk management would play an even greater role in Islamic finance. AI also improves business processes by automating compliance monitoring, reporting, and even customer engagements. According to Hamadou et al. (2024), automation is crucial to cost reduction, better decision quality and a better customer experience. For instance, chatbots have been integrated as part of the standard operations in a number of banks, allowing for around-the-clock service as well as inculcating Islamic values of justice and transparency through the communication (S. Khan & Rabbani, 2020).

Abdullah et al. (2024) suggest that AI models can analyze complex financial contracts, help Sharia boards in spotting potential sources of non-compliance, and even generate *fiqh* (Islamic jurisprudence) verdicts to assist with decision-making. This is an important area where AI can help in complying with Sharia. In this way, AI is not just a mere technical tool anymore, as it also serves as a watchdog of religious sincerity. Firnando & Wahyudi, (2024) also found that AI-based personalization in mobile banking could draw financial services closer to Islamic values, while enhancing customer trust and the credibility of institutions. Still, there are several challenges that come with these opportunities. Security-related

concerns and the costs of implementation are the main challenges (Hamadou et al., 2024). Cyber-attacks targeting financial organizations pose not only the risk of compromising data, but also the confidentiality of sensitive religious-complicity information. Without proper fail-safe mechanisms, the benefits that AI is bringing can be outweighed by the challenges that compromise its efficiency and ethics.

AI in the Context of Islamic Finance

Looking through the perspective of Islamic finance, the opportunities offered by AI are more than just performing tasks efficiently. It is predicted that, AI would transform Sharia auditing, risk detection and compliance control, and the Islamic financial industry will embrace ethics since compliance will be offered. Iqbal et al. (2025) argue that a global AI race will lead national and international regulators to embrace this technology and offer incentives to its implementation, both to comply with regulation and for competitive advantage; therefore, Islamic Finance can ill afford to be left out in the use of these tools. Mawaddah et al. (2024) offer a different viewpoint based on the contextualization of AI within all-encompassing Islamic social constructs like family law and ethical finance. As highlighted, AI is not just a business tool but a device for making sure the digital age does not erode our moral sense. In short, AI can play a key role as a connecting link between progress and spirituality.

Nevertheless, according to Lasmiatun & Manteghi (2025), if AI's algorithms are unchecked by ethics, they could inadvertently bring in practices that are contradictory to Sharia principles. In the Islamic financing context, avoidance of interest, excessive uncertainty, and gambling must always be the center of attention in all financial responsibilities and practices. Wazin et al. (2025) advocate the integration of artificial intelligence within fiduciary control frameworks, positing that such a strategy could bolster accountability, elevate transparency, and foster renewed public confidence. However, algorithmic biases, non-explainable, and cybersecurity issues are still pressing issues (Bahanan & Utomo, 2025; Muji & Khairunnisa, 2024). These are the challenges, and they show how the dual-edged nature of AI can be. While it can protect a compliance culture, it can also pose new risks that institutions must manage.

Theoretical Foundations: Maqasid al-Sharia and Sharia Compliance

The use of AI in Islamic finance must adhere to the guidelines provided by Islamic jurisprudence (IJ) theoretical frameworks. The higher objectives of Shari'ah rules or known as Maqasid al-Sharia are a scale to measure whether the novelty would bring *maslahah* (benefit) or *mafsadah* (loss) to the public. These objectives are to guard *din* (religion), *nafs* (life), *aql* (intellect), *nasl* (lineage), and *mal* (property) (Poon et al., 2020). Judging from this point of view, the adoption of AI ought to serve not only technical efficiency, but also justice, fairness, and the common good. Laldin & Djafri, (2019) also serve as a reminder that ride-hailing (including ride-sharing) was introduced because they are considered a financial innovation applauded in Islam unless it goes against basic Sharia principles. That flexibility leaves room for AI, so long as it serves these greater purposes.

Sharia compliance, however, remains non-negotiable. According to Baber (2019), *riba* (usury), *gharar* (excessive uncertainty), and *maysir* (games of chance) have to be avoided in financial innovation. Here, AI can be an enabler and a problem as well. On the one hand, AI can support regulators and Sharia boards in automating compliance verification, preventing human failures, and revealing concealed risks (Raza & Zaman, 2025). Alternatively, black-box algorithms may obfuscate forbidden parts and thus lose correctness guarantee. This duality so clearly demonstrates why a sound Sharia governance framework is so critical.

Fragmented Studies and Gaps

Though there is an expanding body of research, the more focused studies on AI in Islamic finance are quite disjointed. Firnando & Wahyudi, (2024) examine AI's impact on ethical perspective in the digital economy, and cover governance matters in Islamic crowdfunding. Boudt et al. (2019) analyze the management of Sharia-compliant equity portfolios, and El-Halaby & Hussainey (2016) look into the determinants of compliance in Islamic banking. These informative studies are too self-contained. Sholihin et al. (2021) challenge compliance frameworks for focusing solely on the product level while neglecting institutional adherence to Sharia ideals. Conversely, Hasan et al. (2020) and Sholihin et al. (2021) emphasize the oversight in governance of fintech, asserting that innovative technology lacks sufficiently built compliance frameworks. The lack of a solid and

constructed framework is especially evident in the compliant and ethical systematic integration of AI technology in Islamic financing.

This literature aids us in understanding that AI in Islamic finance has potential undertakes despite the accompanying challenges. AI adaptation has great significance because it enhances effectiveness, efficiency, risk management, and transparency, all in line with the core principles of Sharia compliance. However, this visible gap exists due to the absence of a holistic model that combines the opportunities, challenges, and Sharia compliance. Therefore, this review sets the stage to address this gap by conducting a systematic literature review, mapping the current state of the art, and identifying the integration trajectory and potential templates that will assist in driving sustainable AI adoption in the Islamic finance sector. AI presents challenges that arise from limited multidisciplinary compliance studies, the absence of cohesive ethical frameworks for artificial intelligence, and inadequate ethical compliance structures.

RESEARCH METHOD

According to Ismail & Jallow, (2019), research methodology is the systematic study of the scientific processes involved in conducting research. As the study aims to investigate the potential of AI in Islamic financial institutions, along with its opportunities, problems, and novel uses of Sharia compliance frameworks, a systematic literature review is a more effective method for finding and assessing existing literature, as it allows for replication studies by examining prior research, sets the research question in context, and provides a repeatable and objective assessment (Rosly et al., 2024). The study adopts a PRISMA-guided systematic review to assess AI in Islamic financial institutions. Sult et al. (2024) assert that the benefit of adopting the systematic review (PRISMA) approach includes helping the author formulate a focused research question, apply inclusion and exclusion criteria, and quickly search multiple scientific databases.

Articles were obtained from Scopus-Indexed sources and Google Scholar utilizing Boolean operators (AND, OR) without temporal restrictions, encompassing both historical and current viewpoints. A thorough interdisciplinary approach centered on peer-reviewed journal articles in English. The inclusion criteria focused on studies concerning AI

in Islamic finance or related fields that provided sufficient methodological detail and full-text availability; exclusions were made for non-peer-reviewed materials, non-academic sources lacking methodological rigor, including editorials, book chapters, dissertations, and incomplete manuscripts. Thematic analysis was guided by Braun & Clarke's (2006) six-phase approach: familiarization, coding, theme search, review, theme definition, and reportage. Coding was iterative, manual, and independently reviewed for consistency, with themes checked against the extracted data.

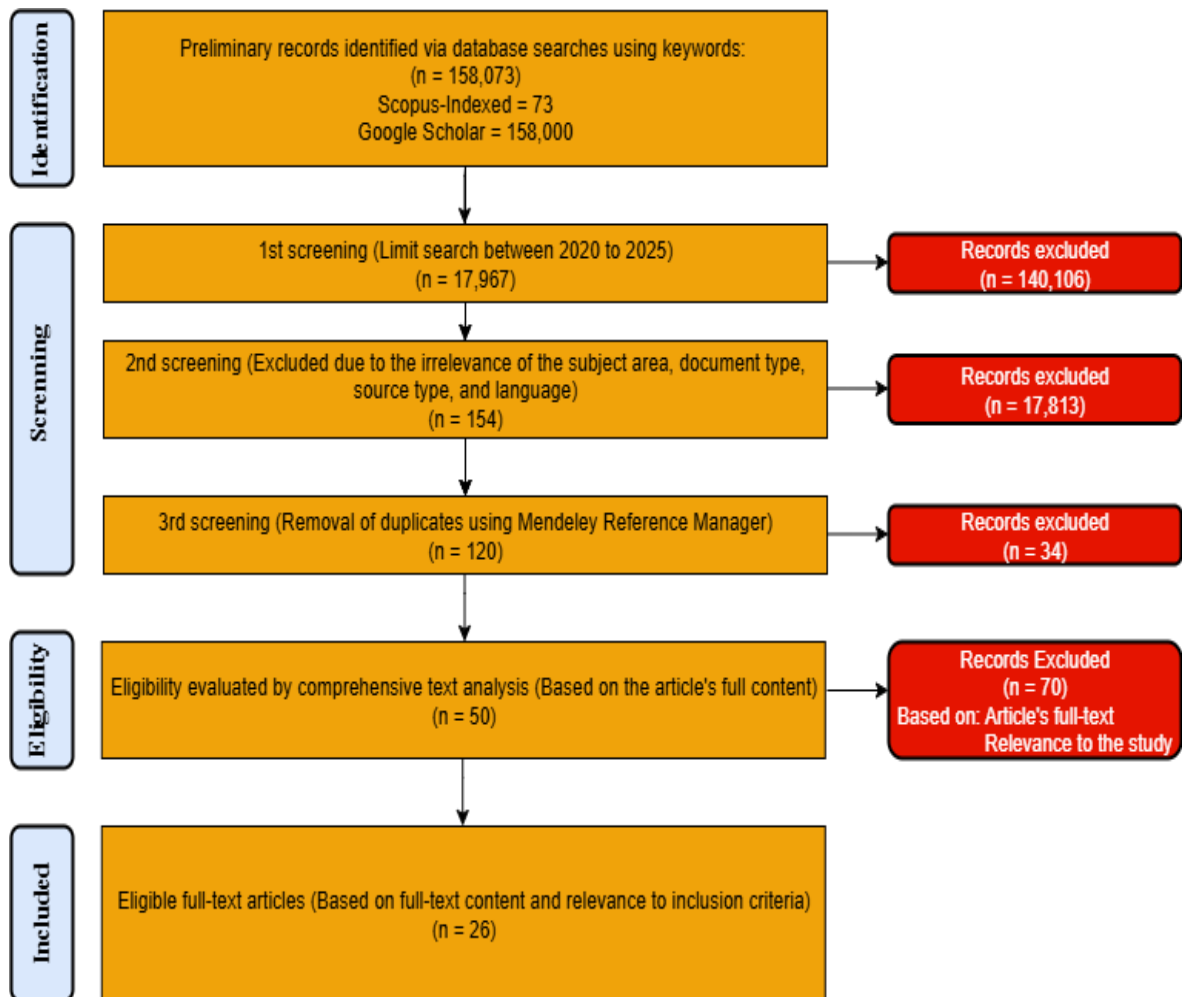


Figure 1: PRISMA 2020 flow diagram

Selection Process

The selection method adhered to the four phases of PRISMA: identification, screening, eligibility, and inclusion. The rationale for each meticulous phase is explained below to improve clarity and guarantee transparency.

1. Identification: The study conducted search in two databases: Scopus and Google Scholar. Keywords utilized comprised combinations of "Artificial intelligence," "Islamic finance," "Sharia compliance," "opportunities," "challenges," and "Islamic banking," employing Boolean operators. The search produced 158,073 entries; subsequent filtering was implemented to encompass only papers published from 2020 to 2025.
2. Screening: The screening phase encompassed a systematic three-stage approach aimed at improving the quality and relevance of the selected studies. Initially, non-peer-reviewed works, conference abstracts without full papers, publications not in their final form, and editorials were eliminated to guarantee the retention of only rigorous scholarly sources, resulting in a total of 17,967 records. In the second step, records were further refined by incorporating research with specific characteristics: subject area, document type, source type, language, and full-text access, yielding a total of 154 publications. Duplicate items were routinely discovered and removed using Mendeley Reference Manager to ensure a clean and non-redundant dataset. This procedure yielded 120 distinct records suitable for comprehensive text evaluation, hence enhancing the reliability and validity of the review sample.
3. Eligibility: A comprehensive assessment of 50 articles was conducted; 70 articles were rejected for failing to meet the review's objectives.
4. Inclusion: Data were gathered from the 26 eligible papers utilizing a structured Excel template that encompassed authors' details, study design, frameworks, principal risks; including opportunities, problems, and Sharia compliance; and primary findings.

RESULTS AND DISCUSSION

Results

This section in this review represents findings from the selection of final articles. The synthesis is categorized under three main themes: Opportunities, Challenges and Sharia Compliance. Every theme indicates commonalities in the issues identified in the literature, which offers an aggregated overview of the present perception of AI in Islamic finance.

Opportunities

The study findings have indicated that in the context of Islamic Financial Institutions, the role of AI is very crucial, especially in operating more efficiently and transparently. According to Abdullah et al. (2024), AI technologies contribute to fraud detection and credit scoring, which is crucial for enhancing Sharia audits and minimizing uncertainty. In addition, AI helps expand financial inclusion for relevant low-income sections of the population, aligning with *Maqasid al-Sharia*, which promotes justice and welfare (Hamadou et al., 2024).

As tabulated in Table 1, such opportunities demonstrate the technological prowess of AI as it disrupts conventional practices in Islamic finance, allowing financial establishments to operate in greater alignment with Sharia banking norms through automated compliance, with more effective systems to monitor compliance.

Challenges

Although there are significant merits regarding the importance of AI, the literature highlights some challenges that do not favor optimal amalgamation with the processes of Islamic finance. A study by Lasmiatun & Manteghi (2025) stated that the application of AI by companies to ensure adherence to Sharia law is affected by limited human resources and high costs. The findings from the current study indicate that, despite AI serving as an innovative asset to accelerate certain company operations, financial institutions continue to struggle with maintaining the necessary human and financial resources to apply these technologies effectively.

Cybersecurity risks remain a significant concern. According to Bahanan & Utomo (2025), AI systems are also susceptible to cyberattacks,

which can compromise the integrity of sensitive financial records and Sharia compliance information. If they are not given proper care and approach, these risks will erode confidence and damage the reputation of institutions.

Sharia Compliance

One important area to tackle at both local and global levels is how Islamic finance incorporates elements of Islamic law or Sharia compliance under which it operates. This is evident in the specialization of general principles, such as avoiding *riba*, *gharar*, and *maysir*, in the use of AI across many businesses. Noor et al. (2024) and Yuspin et al. (2022) found that governance structures are necessary to ensure that AI systems adhere to these standards. Nonetheless, regulatory limitations can cause divergences between how AI operates and what Sharia requires from products.

Sharia boards should broaden their scope to analyze relevant AI solutions, as this is the most significant aspect of the Sharia compliance process. According to Haridan et al. (2023), Sharia boards must engage with Artificial Intelligence professionals to help fill the knowledge gap and ensure effective governance. This shows how developing comprehensive guidelines is important, especially in ensuring that AI is used in accordance with Sharia law.

Table 1. Summary of Selected Articles on AI in Islamic Finance

Author(s)	Region	Key Theme(s)	Method	Main Finding
Abdullah et al., 2024	Malaysia	Opportunities, Compliance	Conceptual review & Case study	AI supports fraud detection, credit scoring, and Sharia audits, reducing uncertainty.
Hamadou et al., 2024	GCC	Opportunities, Challenges	Empirical (survey, qualitative)	AI improves efficiency, but high costs and cybersecurity risks limit adoption.
Khan & Rabbani, 2021	Pakistan	Opportunities	Conceptual paper	AI reduces <i>gharar</i> by improving transparency in credit and risk assessment.
Firnando & Wahyudi, 2024	Indonesia	Opportunities, Sharia	Case study (mobile banking)	AI-powered mobile banking promotes inclusion while supporting Sharia values.
Mawaddah,	Indonesia	Opportunities	Literature	AI enhances digital

Author(s)	Region	Key Theme(s)	Method	Main Finding
2024			review	services but requires ethical oversight to avoid hidden non-compliance.
Iqbal et al., 2025	GCC	Opportunities, Compliance	Conceptual + comparative study	AI enables smart <i>sukuk</i> (financial certificate) and digital <i>takaful</i> (insurance) innovation; Sharia supervision remains essential.
Muji & Khairunnisa, 2024	Indonesia	Challenges, Sharia	Qualitative analysis	Algorithmic bias risks contradict principles of fairness and justice.
Bahanan & Utomo, 2025	GCC	Challenges	Conceptual + risk analysis	AI systems face high cybersecurity risks that threaten trust in Islamic banks.
Lasmiatun & Manteghi, 2025	Malaysia	Challenges, Sharia	Qualitative interviews	Lack of skilled professionals in AI and Sharia slows responsible implementation.
Haridan et al., 2023	Malaysia	Sharia Compliance	Conceptual paper + governance review	Sharia boards must expand their oversight role to evaluate AI processes.
Yuspin et al., 2022	Indonesia	Sharia Compliance, Challenges	Legal doctrinal analysis	Current Islamic banking regulations do not address AI, leaving compliance gaps.
Noor et al., 2024	Malaysia	Sharia Compliance	Conceptual + case insights	AI may heighten Sharia non-compliance risk (SNCR) if not governed properly.
Abdullah et al., 2024	Malaysia	Opportunities, Compliance	Case study & conceptual review	AI supports fraud detection, credit scoring, and Sharia audits, reducing uncertainty.

(Source: Author's compilation, 2025)

Discussion

Opportunities and Alignment with Islamic Principles

The literature consistently asserts that AI enhances efficiency, transparency, and inclusivity in Islamic banking. These achievements are not merely technical triumphs; they also fundamentally align with the Maqasid al-Sharia principles. For example, AI's contribution to financial inclusion affects *hifz al-mal* (the stability of wealth) and *maslahah* (well-

being or benefit), as well as enhances the transparency of risk assessment by addressing *gharar*. In this context, AI could facilitate the ethical objectives inherent in Islamic banking by harmonizing contemporary technology instruments with religious traditions.

These opportunities also align with the broader fintech literature, highlighting AI's capacity to improve financial access and mitigate information asymmetries. However, the Islamic finance literature introduces a novel perspective: efficiency and innovation are not ultimate objectives; rather, they serve as instruments for achieving justice and fairness. This indicates that the industry is prepared to spearhead responsible AI applications and provide insights for conventional finance as well.

Persistent Challenges and Risks

The analysis of this study has identified multiple systemic weaknesses that must be promptly addressed for any of these opportunities to be effectively implemented. Foremost among these barriers are high implementation costs, a well-documented skills shortage in the workforce, and an ongoing vulnerability in the cyber infrastructure, each presenting an independent operational challenge. The opacity of advanced algorithms presents a significant ethical dilemma, particularly given the necessity for artificial intelligence to avoid operating as a closed "black box". This circumstance may violate the ideals of transparency and accountability inherent in Islamic jurisprudence and ethical thought, necessitating a measured approach that aligns technical capabilities with normative theoretical standards. In the absence of transparent articulation by institutions regarding the decision-making mechanics of artificial intelligence, the erosion of trust among end users is an inevitable consequence, one that concurrently renders the technology vulnerable to breach of adherence to Sharia obligations.

From the observational trend of this study, it has been indicated that long-acknowledged challenges already exist in traditional financing, especially having governance issues relating to data privacy, algorithmic bias, and the potential system failure. These issues are intensified in Islamic financing, where default constitutes both an economic and a religious obligation. Sharia non-compliance risk (SNCR) entails reputational damage and erosion of trust, leading to diminished

stakeholder confidence and a consequent loss of normative legitimacy. The necessity for strong governance structures increases significantly for Islamic institutions, making such frameworks essential for effective functioning and enduring societal integration, unlike the more lenient standards accepted by religious counterparts.

Sharia Compliance as the Defining Framework

The persistent requirement for Sharia compliance predominantly influences the majority of academic research on the integration of AI in Islamic finance and the assessment of these technologies' general applicability within a Sharia framework. A systematic analysis of existing literature indicates that, despite the clear benefits of AI, such as improved Sharia audit precision, reduced human error, and ongoing real-time transaction monitoring, a significant regulatory gap remains. Currently, only a few sovereign jurisdictions have incorporated clear regulations for AI into their Islamic banking frameworks, creating an atmosphere of uncertain risk that increasingly burdens market practitioners.

Moreover, the role of Sharia boards is seeing a significant transformation. While their traditional mission limited them to the due diligence of financial instruments, boards now face sophisticated and obscure technology, often lacking the necessary technical expertise. The present moment necessitates a thorough examination of skill development and inter-institutional collaboration. The action includes whether to focus on imparting artificial intelligence competencies to Sharia judges, or there is more merit in fostering long-term interdisciplinary teams comprising technology practitioners and muftis collaborating closely. The resolution of this educational and institutional disparity will significantly influence whether an artificial intelligence regime will bolster or weaken the framework of Sharia compliance.

Theoretical and Practical Implications

This approach theoretically enhances the body of Islamic finance literature by incorporating a digital transformation dimension. Utilizing the *Maqasid al-Sharia* as an analytical framework enables the assessment of AI implementation across contentious yet essential dimensions. Innovations that produce efficiency improvements are ethically

permissible only when justice, welfare, and trust are enhanced both quantitatively and qualitatively. Future research must transcend a merely descriptive approach and be anchored in normative ethics by contextualizing inquiries within the maqasid hierarchy. Subsequently, it should reassess AI applications based on their adherence to and deviation from this framework, comparing the two before and after tool implementation.

This analysis indicates the most pressing priorities: 1) There must be an update framework by regulators to explicitly address the integration of AI technologies into Islamic finance; 2) Investing in capacity building is an essential step for Islamic financial institutions, which helps to ensure that staff and Sharia board are well-equipped with the required skills and knowledge to oversee AI technologies; 3) Developing a multi-stakeholder framework for governance, as this will involve technologists, regulators, and professional Sharia scholars to provide a safeguard in accordance with compliance and accountability.

CONCLUSION

The primary objective of this study is to explore the influence of AI in the context of Islamic finance, focusing on three key themes: opportunities, challenges and Sharia compliance. The study employs the Systematic Literature Review (SLR) for its method, which is guided by the meta-analysis PRISMA, and 26 publications published between 2020 and 2025 from Scopus-Indexed and Google Scholar databases were selected, synthesized, and analyzed to meet the objective of the study. Results from the review reveal that AI has significant opportunities, such as enhancing efficiency, transparency, inclusion, and Sharia auditing, all of which are in line with the core principles and objectives of *Maqasid al-Sharia*.

Despite these exciting opportunities, several challenges hinder its adaptation and implementation. Among those challenges are: significant implementation expenses, a well-documented deficiency of skills in the workforce, and a persistent vulnerability in the cyber infrastructure, each constituting a distinct operational challenge. The most critical issue regarding these challenges is the Sharia compliance with regulatory gaps and evolving roles of Sharia boards demanding urgent attention. The review is limited by reliance on English-language, peer-reviewed sources

and by conceptual dominance in the literature; quantitative evaluations remain scarce.

The study recommends future studies to apply empirical studies, strengthen the research across regional longitudes, and construct an interdisciplinary collaboration among diverse professionals to design a strong governance framework to ensure that the integration of AI into Islamic finance can have both innovative and compliant effects while maintaining the Shari principles. In the absence of this recommendation, Islamic finance risks falling further behind in terms of adopting advanced AI technologies or even facing lots of dilemmas or uncertainty in integrating AI technologies in their operations, which may inadvertently jeopardize the practices and responsibilities of Sharia principles

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