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The Dynamics of Fiscal and Monetary Policy in the Framework of Modern Islamic Economics: A Theoretical and Practical Study

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Abstract

This study analyzes the dynamics of fiscal and monetary policy within a modern Islamic economic framework through a qualitative, descriptive-analytical approach based on a literature review. Islamic economics is built on the principles of *tawhid*, justice, *istikhlaf*, and *takaful*, which fundamentally distinguish it from conventional systems. Islamic fiscal policy integrates classical instruments (*zakat*, *kharaj*, *waqf*) with contemporary ones (*Shariah*-compliant taxes, *maqasid*-based state budgets), while monetary policy rejects the interest-based system and develops profit-and-loss sharing mechanisms, *sukuk*, and *Shariah*-compliant financial instruments. Case studies of Malaysia, Indonesia, and the GCC countries demonstrate variations in implementation influenced by institutional contexts and political will. Key challenges include systemic dualism, limited human resources, weak coordination among authorities, and policy inconsistencies. Recommendations include establishing national coordination of *Shariah* economics, developing an integrated *maqasid*-based framework, innovating financial instruments, and digitization to improve policy effectiveness in achieving *falah*(holistic welfare).

INTRODUCTION

The dynamics of the contemporary global economy face various complex challenges that call into question the effectiveness of conventional economic systems. The 2008 financial crisis and the economic instability following the COVID-19 pandemic have exposed the vulnerabilities of an interest- and speculation-based economic system (Chapra, 2020). In this context, fiscal and monetary policies are vital instruments in maintaining economic stability, controlling inflation, and promoting sustainable economic growth (Altunyan et al. 2020; Falade et al. 2015).

Islamic economics presents itself as an alternative economic system, offering a different paradigm that embraces the principles of distributive justice, prohibits usury, and focuses on social welfare (Ascarya, 2022). The Islamic economic system focuses not only on economic growth but also on equitable income distribution and the achievement of the maqasid al-shariah (the objectives of Islamic law). However, there is a significant gap between the theoretical concepts of classical Islamic economics and the reality of practical implementation in the modern era, which is characterized by the complexity of the global financial system (Güney 2024; Khan 2025; Mukhlisin et al. 2022).

Research by Huda and Nasution (2020) shows that integrating fiscal policy—through *zakat*, waqf, and Islamic taxation instruments—with monetary policy based on profit-and-loss sharing principles still faces various technical and institutional obstacles. These problems become even more complex when Islamic financial institutions must operate within a dual-banking system, requiring harmonization of regulations and policy instruments (Delle Foglie et al. 2023; Sari 2025).

Islamic fiscal policy based on *zakat*, *infaq*, *sadaqah*, and *waqf* instruments holds significant potential for income redistribution and poverty alleviation (Beik, 2021). Meanwhile, Islamic monetary policy, which avoids interest-based instruments, faces challenges in policy transmission mechanisms and liquidity control within Islamic banking. According to Karim (2019), coordination between fiscal and monetary authorities within a shariah framework requires a strong institutional structure and innovative instruments.

Empirical studies in various Muslim countries show variations in the implementation of Islamic fiscal and monetary policies (Sarker 2016; Zulkhibri 2018). Indonesia, with its dual-banking system, faces different challenges compared to countries such as Malaysia or the Gulf states, which have more mature Islamic financial sectors (Ryandono et al., 2021). Differences in institutional contexts, levels of Islamic economic literacy, and government political will are key determinants of successful policy implementation (Karimullah 2024; Nurdi et al. 2025).

The dynamics of fiscal and monetary policy in modern Islamic economics are also inextricably linked to developments in financial technology and economic digitalization. The integration of Islamic fintech, blockchain, and digital financial instruments opens up new opportunities and challenges in the formulation and implementation of Islamic economic policy (Firmansyah, 2020).

Based on the complexity of these issues, this study aims to analyze the dynamics of fiscal and monetary policies within a modern Islamic economic framework from both theoretical and practical perspectives. A comprehensive analysis of the integration of these two policies is expected to contribute to the development of a more effective and applicable Islamic economic policy framework in the contemporary economic context.

RESEARCH METHOD

This research used a qualitative approach with a descriptive-analytical method, aiming to describe and analyze in depth the dynamics of fiscal and monetary policy within a modern Islamic economic framework. According to Creswell (2021), a qualitative approach allows researchers to explore complex phenomena through a deep understanding of the theoretical and practical context. This research fell into the category of library research, which relied on a systematic review of literature sources to develop a conceptual framework and comprehensive analysis.

The data sources in this study were divided into primary and secondary data. Primary data included the Qur'an as the highest source of law in Islamic economics, the Hadith of the Prophet Muhammad (peace be upon him), and classical fiqh books such as Al-Amwal and Al-Kharaj, which discuss fiscal and monetary aspects in Islam. Secondary data were obtained from indexed scientific journals, Islamic economics books, and reports from international Islamic financial institutions such as the Islamic Development Bank (IsDB), the Islamic Financial Services Board (IFSB), and the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

Data collection techniques were conducted through documentation and a systematic literature review of sources relevant to the research topic (Sugiyono, 2019). Case studies of practices in Muslim countries such as Malaysia, Indonesia, and the Gulf Cooperation Council (GCC) countries were integral to providing an empirical perspective.

Data analysis used content analysis techniques to systematically examine the contents of the collected documents and literature. Comparative analysis was conducted to compare Islamic economic theory with implementation practices in various Muslim countries (Huda & Nasution, 2020). Deductive-inductive methods were used simultaneously, starting with general principles of Islamic economics and then developing specific policy frameworks, while also constructing theoretical generalizations from observations of empirical practices.

RESULTS AND DISCUSSION

1. Theoretical Analysis of Islamic Fiscal Policy

The sharia basis of Islamic fiscal policy is derived from the Qur'an and Hadith, which regulate the management of public assets for the benefit of the people. Allah's Word in Surah At-Taubah: 60 establishes eight categories of *zakat* recipients (*asnaf*), demonstrating a systematic redistribution system to address economic disparities. The Prophet's hadith on the obligation of *zakat*, the prohibition on hoarding wealth, and the command to give alms form the foundation of a fiscal policy oriented toward distributive justice. These principles emphasize that assets are not merely for personal accumulation but also have a social function that must be realized through fair fiscal mechanisms.

A comparison of classical and contemporary fiscal instruments reveals significant evolution in their implementation. Classical instruments such as *kharaj*, *jizyah*, *ushr*, and *ghanimah*, implemented during the time of the Prophet Muhammad and the Caliphs, have undergone contextual transformation. In the modern era, these instruments have been adapted into a sharia-based taxation system, targeted subsidies, and state budget allocations in accordance with Islamic principles. Although their form and nomenclature have changed over time, the essence of justice, transparency, and a focus on social welfare remain the core of contemporary Islamic fiscal instruments.

The role of *zakat* versus taxes in the modern Islamic fiscal system is a crucial discussion that requires conceptual clarification. *Zakat* is a mandatory religious obligation, subject to fixed sharia provisions, encompassing both a vertical dimension of worship to God and a horizontal dimension to fellow human beings. Meanwhile, taxes are a flexible state policy instrument adapted to fiscal needs and economic conditions. Both serve complementary functions in the modern Islamic fiscal system (Huda & Nasution, 2020). The integration of *zakat* and taxes creates a comprehensive fiscal system with mutually reinforcing spiritual and regulatory pillars to achieve social welfare goals.

The principles of the State Budget (APBN) from an Islamic perspective emphasize prioritizing spending on sectors that support the *maqasid sharia* (objectives of sharia). Budget allocations should prioritize education as an investment in human resources, health to maintain quality of life, infrastructure to support economic productivity, and protection of vulnerable groups in need of social security. The prohibition of *israf* (waste) and *tabdzir* (wasteful spending) is a fundamental principle in state budget management. Every expenditure item must have a clear justification for the benefit of the people and must not be used for unproductive projects or projects that only benefit a small elite (Chapra, 2020). The principles of trust and accountability demand transparency at every stage of APBN management, from planning, implementation, to accountability.

2. **The Importance of Fiscal and Monetary Policy in an Islamic Economic Framework**

The debate between a gold-silver-based monetary system and fiat money has become a fundamental discussion in contemporary Islamic economics. The gold-silver bimetallic system implemented during the time of the Prophet Muhammad (peace be upon him) boasts advantages in value stability and protection against excessive inflation. However, in the complex context of a modern economy with enormous transaction volumes and dynamic global trade, a fiat money system is an acceptable, pragmatic choice if it is managed prudently and not used as a tool for speculation. The most important thing is to ensure that money functions as a stable medium of exchange, not as a commodity traded to profit from fluctuations in value.

The transmission mechanism of Islamic monetary policy is fundamentally different from that of the conventional system. In the conventional system, monetary policy transmission operates through the interest rate channel, which influences borrowing costs and investment decisions. Meanwhile, in the Islamic system, policy transmission operates through profit-loss sharing, the price channel for Sharia-compliant assets such as sukuk, and financing channels based on real contracts such as *murabahah*, *salam*, and *istishna'*. This mechanism creates a direct connection between the financial sector and the real sector, thereby reducing the risk of economic bubbles and detrimental speculation (Karim, 2019).

Interest-free liquidity control instruments present both a challenge and an innovation in Islamic monetary policy. Central banks utilize instruments such as Sharia-compliant Minimum Reserve Requirement (Giro), open market operations with sukuk (Islamic bonds) and Bank Indonesia Sharia Certificates (SBI), and short-term financing facilities based on Sharia contracts. These instruments are designed to regulate the money supply and liquidity of Islamic banking without using interest mechanisms, while remaining effective in achieving monetary stability targets.

The role of Islamic banking in monetary transmission is increasingly strategic with the growth of the Islamic financial industry. Islamic banking functions as an intermediary linking central bank monetary policy with real economic activity (Ryandono et al., 2021). The effectiveness of this transmission depends on the depth of the Islamic financial market, the availability of diverse instruments, and economic actors' understanding of Sharia-based financing mechanisms.

3. **Practical Study: Implementation in Muslim Countries**

Case 1: Malaysia

Malaysia represents the most mature and structured model of Islamic fiscal-monetary policy implementation in the world. Malaysia's dual banking system allows Islamic and conventional banking to operate in parallel, with clear and separate regulations yet integrated within the national macroeconomic policy framework. Bank Negara Malaysia (BNM), as the central bank, has a dedicated department for Islamic banking and finance, complete with a Shariah Advisory Council that issues fatwas and Sharia guidance to the entire Islamic financial industry in the country.

Coordination between Bank Negara Malaysia and *zakat* institutions demonstrates a productive synergy between Islamic monetary and fiscal policies. Although *zakat* management falls under the authority of each state, a national coordination mechanism through the State Islamic Religious Council (Majelis Agama Islam Negeri) ensures standardization of *zakat* collection and distribution. Collected *zakat* funds are integrated into national economic development planning, particularly for poverty alleviation, education, and community economic empowerment programs. Some states, such as Selangor and the Federal Territories, have even digitized their *zakat* systems to improve collection efficiency and distribution transparency.

Malaysia's Islamic monetary instruments are highly diverse and innovative, making the country a global benchmark in the development of Islamic financial instruments. The Islamic Interbank Money Market (IIMM) provides a platform for Islamic banks to manage short-term liquidity through various Sharia-compliant instruments. Government Investment Issues (GII), or government sukuk, are the primary instrument for Sharia-compliant open market operations and public debt management. Sukuk Private Debt Securities provide a Sharia-compliant corporate financing alternative. Bank Negara Monetary Notes (BNMN) and Bank Negara Malaysia Sukuk are used to control the liquidity of the Islamic banking system (Karim, 2019).

Malaysia's success is also evident in the development of a comprehensive Islamic Capital Market, encompassing Islamic stocks, Islamic unit trusts, and various Sharia-compliant derivative products. Bursa Malaysia has its own Sharia-compliant index, and over 70% of listed stocks are categorized as Sharia-compliant. A robust legal infrastructure, through the Islamic Financial Services Act 2013, provides legal certainty for players in the Islamic financial industry.

Case 2: Indonesia

Indonesia, with the world's largest Muslim population, has implemented a parallel Islamic financial system that has grown rapidly over the past two decades. Indonesia's dual banking system allows conventional commercial banks to open Sharia Business Units (UUS) alongside their conventional operations, although recent regulations encourage the spin-off of UUS into separate Islamic Commercial Banks (BUS) to strengthen their sharia identity and governance.

Bank Indonesia plays a significant role in sharia regulation through the issuance of various Bank Indonesia Regulations (PBI) and Financial Services Authority Regulations (POJK) governing sharia banking operations. Bank Indonesia develops sharia monetary instruments such as Bank Indonesia Sharia Certificates (SBIS), Sharia Short-Term Financing Facilities (FPJPS), and sukuk repo funds to manage sharia banking liquidity. The Statutory Reserve (GWM) for sharia banking is also specifically regulated, considering the unique characteristics of PLS-based financing.

The simultaneous implementation of *zakat* and taxes in Indonesia reflects the unique duality of the fiscal system. Law Number 23 of 2011 concerning *Zakat* Management provides the legal basis for the National *Zakat* Agency (BAZNAS) and the *Zakat* Collection Institutions (LAZ) in collecting and distributing *zakat*. Interestingly, the Indonesian government provides fiscal incentives in the form of taxable income reductions for taxpayers who pay *zakat* through official institutions. This policy reflects an effort to integrate the *zakat* system as a religious obligation with the tax system as a civic obligation (Ryandono et al., 2021).

However, coordination between the Islamic fiscal and monetary authorities in Indonesia remains challenging. Institutional fragmentation between the Ministry of Religious Affairs, which oversees *zakat*, the Ministry of Finance, which oversees taxation and the state budget, and Bank Indonesia and the Financial Services Authority (OJK), which oversee the Islamic financial sector, necessitates a more effective coordination mechanism. The national *zakat* potential, estimated at hundreds of trillions of rupiah, has only been tapped by around 10-15%, demonstrating the need for structural reform in national *zakat* management.

Case 3: GCC countries (Saudi Arabia, UAE)

The Gulf Cooperation Council countries, particularly Saudi Arabia and the United Arab Emirates, have developed into global Islamic finance hubs with substantial Islamic financial assets. As the center of the Islamic world, Saudi Arabia is unique in implementing a fully Sharia-compliant financial system, although conventional instruments, particularly in international trade and investment, remain in practice.

The Saudi Arabian Monetary Authority (SAMA), now known as the Saudi Central Bank, developed a comprehensive regulatory framework for the Islamic finance industry. The Saudi government's sukuk instruments serve as benchmarks for global sukuk issuances. The Vision 2030 economic transformation program integrates Sharia principles to diversify the economy from oil dependence to a knowledge- and innovation-based economy.

The United Arab Emirates, particularly Dubai, has positioned itself as a global Islamic financial hub through the development of sophisticated Islamic financial infrastructure. The Dubai Islamic Economy Development Centre coordinates various initiatives to establish Dubai as a global Islamic economic and financial hub. Nasdaq Dubai is the largest sukuk exchange, with listings reaching tens of billions of dollars.

Oil-based fiscal policies in the GCC countries face challenges from a *sharia* perspective. Oil and gas revenues, which dominate these countries' state budgets, require fair and sustainable management in accordance with the principles of *istikhlaf* (Islamic law). Sovereign wealth funds such as the Abu Dhabi Investment Authority and the Public Investment Fund of Saudi Arabia manage oil surpluses by applying sharia screening principles to their investment portfolios. The allocation of oil revenues to energy subsidies, free education, and universal healthcare reflects the implementation of the principle of distributive justice in fiscal policy, although its long-term sustainability remains questionable due to fluctuations in global oil prices.

4. **Implementation Challenges**

Dualism of Systems (Conventional vs Sharia)

The dualism of the financial system, which accommodates both conventional and Sharia-compliant instruments, poses a major structural challenge to the implementation of Islamic fiscal-monetary policy. The dual banking system implemented in most Muslim countries creates complexities in policy coordination, oversight, and assessing the effectiveness of monetary instruments. Sharia-compliant banks, operating alongside conventional banks, often face an uneven playing field, particularly in terms of access to liquidity, hedging instruments, and higher compliance costs.

Furthermore, this dualism creates confusion among the public about the fundamental differences between the two systems. The perception that Islamic banking differs only in technical terms (labeling) while being essentially the same as conventional banking can erode public trust in the authenticity of the Islamic financial system. Regulatory arbitrage also becomes a problem when economic actors exploit regulatory gaps between conventional and Islamic systems for interests inconsistent with Sharia principles.

Standardization of Instruments and Regulations

The lack of global standardization in Islamic financial instruments and regulations poses a significant obstacle to the development of the Islamic finance industry across borders. Although organizations such as the Islamic Financial Services Board (IFSB) and the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) have developed international standards, their implementation varies across countries. Differences in sharia interpretations between different schools of Islamic jurisprudence (*Madrasah fiqh*) result in heterogeneity in financial products and instruments (Karim, 2019).

Tawarruq contracts, for example, are accepted in the Gulf countries but remain controversial in Southeast Asia. Sukuk, with varying structures across countries, create difficulties in cross-border investment and secondary market trading. Standardization of accounting, financial reporting, and Sharia auditing is also still not fully converged, compromising the comparability and transparency of financial reports of international Islamic financial institutions.

Human Resources and Institutional Competencies

The limited human resources with dual competencies in modern economics and finance, along with a deep understanding of Islamic jurisprudence (*fiqh muamalah*), pose a critical challenge. Most Islamic finance practitioners have a conventional economics background with limited understanding of sharia, while scholars who do master *fiqh muamalah* often lack a grasp of the complexities of modern financial operations. This competency gap impacts the quality of product innovation, investment decisions, and Sharia compliance monitoring.

Institutional capacity is also a problem, particularly in countries with nascent Islamic finance industries. The Sharia Supervisory Boards of many Islamic financial institutions lack the independence and authority to ensure substantive Sharia compliance. Higher education institutions offering Islamic economics and finance programs are limited, and existing curricula often lack a strong integration of Sharia and modern economics.

Coordination Between Fiscal and Monetary Authorities

Institutional fragmentation between fiscal and monetary authorities in managing Islamic economic instruments creates inefficiencies and policy inconsistencies. In Indonesia, for example, *zakat* management falls under the Ministry of Religious Affairs, taxation falls under the Ministry of Finance, while Islamic banking regulation is divided between Bank Indonesia and the Financial Services Authority. Coordination between these institutions is often weak, with no formal mechanism for synchronizing Islamic fiscal and monetary policies (Ryandono et al., 2021).

The absence of a dedicated coordination forum for Islamic economics at the national level has resulted in fragmented Islamic fiscal and monetary policies lacking strategic integration. Data and information on the performance of the Islamic financial sector have also not been well integrated across various authorities, complicating policy impact analysis and the formulation of coherent strategies. Differences in vision and priorities between institutions can result in contradictory policies or policies that are less than optimal in achieving holistic Islamic economic goals.

Political Will and Government Commitment

Political will and government commitment are key determinants of the successful implementation of an Islamic economic system. In many Muslim countries, Islamic economics has not yet become a top priority on the national development agenda. This half-hearted political support is reflected in minimal budget allocations for the development of Islamic financial infrastructure, inconsistent regulations, and the absence of a clear long-term roadmap for Sharia-based economic transformation.

Resistance from economic elites and bureaucrats accustomed to conventional systems also poses an obstacle. Established economic interests within the conventional system often do not support the shift towards a more comprehensive Sharia system. Policy inconsistencies resulting from changes in government and leadership also create uncertainty for Islamic finance industry players. Without strong and sustained political commitment, the transformation towards an integrated Islamic economic system will be difficult to achieve.

5. Opportunities and Recommendations

The Potential for Full Integration of the Islamic Economic System

Global momentum indicates a significant opportunity for the full integration of the Islamic economic system into national and international economic architectures. The growth of global Islamic financial assets reaching trillions of dollars, the growing awareness of the Muslim community regarding the importance of a Sharia-compliant economy, and the recurring crises of the conventional financial system create conducive conditions for systemic transformation. Full integration requires a gradual transition from a dual banking system to a fully *Sharia*-compliant system, while maintaining economic stability and market confidence.

The experiences of countries like Pakistan and Sudan, which have attempted comprehensive Islamization of their financial systems, provide valuable lessons on the importance of thorough infrastructure, regulatory preparation, and institutional capacity before undertaking large-scale transformation. A gradual integration model, starting with strategic sectors like banking, capital markets, and insurance, then expanding comprehensively to the fiscal and monetary sectors, could be a more realistic and sustainable strategy.

Maqasid-Based Optimal Fiscal-Monetary Coordination Model

The optimal coordination model between fiscal and monetary policy within an Islamic economic framework must be based on achieving the *maqasid sharia* as the highest objective. This coordination framework integrates fiscal instruments such as *zakat*, *waqf*, and sharia taxation with monetary instruments based on PLS and sukuk within a coherent macroeconomic policy framework (Huda & Nasution, 2020). The establishment of a Sharia

Economic Coordination Committee at the national level, comprising members from fiscal and monetary authorities, as well as ulama (Islamic scholars), could serve as an institutional mechanism for policy synchronization.

This model emphasizes the importance of an appropriate policy mix between fiscal expansion through increased productive spending and prudent monetary liquidity management to achieve price stability, inclusive economic growth, and equitable income distribution. Performance indicators measure not only economic growth and inflation, but also holistic well-being (*falah*), poverty alleviation, and the achievement of sustainable development goals in line with Islamic values.

Innovation in Islamic Financial Instruments

Innovation in Islamic financial instruments is key to increasing the effectiveness of Sharia fiscal-monetary policy transmission. Developing *sukuk* with various underlying assets and structures can broaden the financing base for infrastructure and development projects. Green sukuk and social impact *sukuk* offer financing alternatives that are not only Sharia-compliant but also support environmental and social agendas.

Productive waqf instruments can be developed into long-term financing sources for the education, health, and social infrastructure sectors through cash waqf, waqf shares, and waqf-linked sukuk mechanisms. Blockchain technology and smart contracts open opportunities to create more transparent, efficient, and real-time auditable Islamic financial instruments. Sharia-compliant cryptocurrencies backed by real assets can become a more inclusive and efficient alternative payment system.

The Role of Digitalization in Policy Effectiveness

The digitalization of the Islamic economy and finance offers transformative opportunities to improve the effectiveness of fiscal-monetary policies. Digital platforms for *zakat* collection and distribution can enhance the transparency, accountability, and reach of national *zakat* programs. Sharia financial technology (fintech) enables financial inclusion for previously unbanked or underbanked segments of society, expanding the financing base for the productive economy (Firmansyah, 2020).

Big data and artificial intelligence can be utilized for predictive analysis in policy formulation, real-time monitoring of policy impacts, and early detection of systemic risks. A Sharia-compliant digital central bank currency (CBDC) could become a more efficient future monetary instrument for policy transmission and inflation control. E-government in the management of the Sharia-compliant state budget (APBN) increases the efficiency of public spending and minimizes budget leakage.

Policy Recommendations for Decision Makers

Based on this comprehensive analysis, several strategic recommendations can be put forward. First, the establishment of a National Islamic Economic Council to coordinate all aspects of Islamic economics across ministries and institutions. Second, the development of an integrated Islamic Fiscal-Monetary Policy Framework with the dual objectives of macroeconomic stability and the achievement of the *maqasid* (objectives) of Islamic law. Third, massive investment in Islamic economics education and training through collaboration with leading global universities.

Fourth, harmonizing Islamic financial regulations with international standards from the IFSB and AAOIFI to enhance global competitiveness. Fifth, developing a deep and liquid Islamic financial market infrastructure, including a secondary market for sukuk and Islamic derivatives for hedging. Sixth, strengthening the independence and capacity of the Sharia Supervisory Board in maintaining the authenticity of Islamic financial products and services. Seventh, a massive Islamic economic literacy campaign to increase public understanding and participation in the Islamic economic system.

CONCLUSION

The dynamics of fiscal and monetary policy within a modern Islamic economic framework reflect complex interactions between normative-theological principles and contemporary practical realities, positioning Islamic economics as an alternative paradigm grounded in *tawhid*, *'adl*, *istikhlaf*, and *takaful*, which fundamentally differ from conventional systems. Islamic fiscal policy combines classical instruments such as *zakat*, *kharaj*, and *waqf* with modern tools like sharia-compliant taxation and state budgeting guided by *maqasid al-shariah*, where zakat serves as both a spiritual and economic redistribution mechanism, while taxation functions as a flexible policy instrument. Meanwhile, Islamic monetary policy replaces interest-based systems with profit-and-loss sharing, *sukuk*, and other *sharia*-compliant instruments that closely link the financial and real sectors. Empirical evidence from Malaysia, Indonesia, and GCC countries highlights varying levels of implementation shaped by institutional capacity, political will, and financial system maturity, with Malaysia showing relatively advanced coordination and Indonesia facing ongoing structural challenges. Despite persistent obstacles—such as dual financial systems, limited standardization, human resource constraints, weak institutional coordination, and inconsistent policy commitment—significant opportunities exist through systemic integration, financial innovation, digitalization, and stronger governance. The effectiveness of these policies ultimately depends on aligning sharia principles with pragmatic economic strategies to achieve *falah* (holistic welfare); therefore, future research should focus on developing standardized global frameworks for Islamic fiscal-monetary integration and empirically evaluating the impact of digital Islamic financial instruments on policy effectiveness across different institutional contexts.

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