

Islamic Economic Governance: A Yemen and United States Comparative Study for Indonesia's Sustainable Development

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Abstract: *Islamic economics is fundamentally rooted in the concept of maqasid al-shariah, which represents the ultimate objectives of Islamic law in promoting human welfare (maslahah) and preventing harm (mafsadah). Rather than merely regulating transactional legality, maqasid sharia provides an ethical framework guiding economic systems toward social justice, sustainability, and equitable wealth distribution. Classical scholars such as Al-Ghazali and Al-Shatibi identified five core dimensions: protection of religion (hifz al-din), life (hifz al-nafs), intellect (hifz al-'aql), lineage (hifz al-nasl), and wealth (hifz al-mal). In economic practice, hifz al-mal emphasizes lawful circulation of wealth, the prohibition of exploitative practices such as riba and gharar, and redistributive instruments such as zakat and waqf. Meanwhile, hifz al-nafs is reflected in poverty alleviation and financial inclusion, underscoring Islamic finance's social orientation. The experience of Yemen demonstrates the potential of maqasid-based empowerment through Islamic microfinance and community-oriented banking, though weak regulation and political instability limit its effectiveness. In contrast, Islamic financial institutions in the United States adapt maqasid principles within a secular framework through ethical financing models, despite regulatory and literacy challenges. For Indonesia, maqasid sharia offers a strategic foundation for sustainable development by integrating Islamic social finance, fintech innovation, and inclusive economic policies. Ultimately, the success of Islamic economics should be assessed by its ability to promote justice, resilience, and collective prosperity rather than profit alone.*

Keywords: Sharia Institutional Economics; Yemen; United States of America

Abstrak: *Ekonomi Islam pada dasarnya berakar pada konsep maqasid al-shariah, yang mewakili tujuan utama hukum Islam dalam meningkatkan kesejahteraan manusia (maslahah) dan mencegah kerugian (mafsadah). Alih-alih hanya mengatur legalitas transaksi, maqasid syariah menyediakan kerangka kerja etis yang membimbing sistem ekonomi menuju keadilan sosial, keberlanjutan, dan distribusi kekayaan yang adil. Para ulama klasik seperti Al-Ghazali dan Al-Shatibi mengidentifikasi lima dimensi inti: perlindungan agama (hifz al-din), kehidupan (hifz al-nafs), akal (hifz al-'aql), keturunan (hifz al-nasl), dan kekayaan (hifz al-mal). Dalam praktik ekonomi, hifz al-mal menekankan peredaran kekayaan yang halal, larangan praktik eksploitatif seperti riba dan gharar, dan instrumen redistribusi seperti zakat dan wakaf. Sementara itu, hifz al-nafs tercermin dalam pengentasan kemiskinan dan inklusi keuangan, menyoroti orientasi sosial keuangan Islam. Pengalaman Yaman menunjukkan pemberdayaan berbasis maqasid melalui pembiayaan mikro Islam dan perbankan berorientasi komunitas, meskipun regulasi yang lemah dan ketidakstabilan politik membatasi efektivitasnya. Sebaliknya, lembaga keuangan Islam di Amerika Serikat mengadaptasi prinsip-prinsip maqasid dalam kerangka sekuler melalui model pembiayaan etis, meskipun menghadapi tantangan regulasi dan*

literasi. Bagi Indonesia, syariah maqasid menawarkan landasan strategis untuk pembangunan berkelanjutan dengan mengintegrasikan keuangan sosial Islam, inovasi teknologi keuangan, dan kebijakan ekonomi inklusif. Pada akhirnya, keberhasilan ekonomi Islam harus dinilai dari kemampuannya untuk mempromosikan keadilan, ketahanan, dan kemakmuran kolektif, bukan hanya keuntungan semata.

Kata Kunci: Kelembagaan Ekonomi Syariah; Yaman; Amerika Serikat.

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INTRODUCTION

The development of Islamic economics across countries reflects diverse institutional trajectories shaped by variations in socio-political structures, regulatory environments, and levels of economic development. As a normative system grounded in the principles of justice (al-'adl), balance, and sustainability, Islamic economics is increasingly positioned as an alternative framework for addressing global challenges such as inequality, financial instability, and environmental degradation. However, despite its growing relevance, the effectiveness of Islamic economic institutions varies significantly across contexts, suggesting that institutional performance is highly dependent on governance quality, regulatory coherence, and socio-economic conditions. Existing studies largely focus on countries with relatively well-established Islamic financial infrastructure, such as Malaysia, the Gulf states, and the United Kingdom, and emphasize financial performance, regulatory development, and product innovation. While these studies provide important insights, they reveal a critical gap in the literature: the limited attention paid to fragile states and non-Muslim minority contexts. In particular, countries such as Yemen, which face political instability and weak institutional capacity, and the United States, which operates under a secular, interest-based financial system, remain underexplored in comparative Islamic economics research.

From a theoretical perspective, most existing literature adopts a compliance-based or efficiency-oriented approach, focusing primarily on adherence to Sharia principles and financial performance indicators. This perspective tends to neglect the broader maqasid al-Shariah framework, which emphasizes socio-economic justice, inclusiveness, and sustainability as the primary objectives of Islamic economics (Alkoliby & Al-Hakimi, 2024). Consequently, there is a lack of integrative analyses that evaluate Islamic economic institutions not only in terms of operational success but also in terms of their contribution to achieving maqasid-based development outcomes. Furthermore, methodologically, previous studies have been largely dominated by quantitative approaches, relying on financial ratios and market indicators, while paying little attention to qualitative institutional dynamics such as governance structures, regulatory adaptation, and socio-cultural constraints. This creates a gap in understanding how Islamic economic institutions operate and adapt in contrasting institutional environments, particularly in extreme contexts such as fragile Muslim-majority states and highly developed secular economies.

In response to this gap, this study adopts a comparative institutional approach,

examining Yemen and the United States as contrasting cases. Yemen represents a fragile institutional environment where Islamic economic institutions are socially oriented towards community empowerment but are constrained by weak governance and political instability. In contrast, the United States illustrates how Islamic finance thrives within a secular, highly regulated financial system, requiring adaptive and innovative strategies to operate within institutional constraints (Toatubun & Holle, 2025). This comparison aims to provide a deeper analytical understanding of how regulatory frameworks, governance structures, and socio-economic environments shape the development and effectiveness of Islamic economic institutions. Therefore, this study seeks to answer how regulatory and governance structures influence institutional development, how Islamic economic institutions adapt their operational models in different environments, and to what extent they contribute to socio-economic development in accordance with the principles of maqasid al-shariah, as well as to identify relevant lessons for strengthening the Islamic economic system in Indonesia. By integrating a maqasid-based analytical framework into comparative institutional analysis, this study aims to make both theoretical and practical contributions by offering a more holistic evaluation of Islamic economic institutions and generating policy-relevant insights for sustainable and inclusive economic development.

LITERATURE REVIEW

The literature review examines the dynamics of Islamic economic institutions across different national contexts, with a particular focus on Yemen and the United States as contrasting institutional environments. In Yemen, Islamic financial institutions play a dual role as banking service providers and instruments of socio-economic empowerment, particularly in supporting small and medium enterprises and productive sectors. Regulatory adaptability and government support remain crucial in enabling these institutions to respond to digital transformation and economic change (Alkoliby & Al-Hakimi, 2024). Furthermore, institutional performance in Yemen is strongly influenced by the quality of Sharia governance, particularly the competence and diversity of the Sharia Supervisory Board, which affects public trust and operational effectiveness (Saif *et al.*, 2024).

In contrast, Islamic economic institutions in the United States have developed within a secular, interest-based financial system. The establishment of institutions such as LARIBA Bank of Whittier and Guidance Residential since the 1980s marked the early adaptation of Islamic financing mechanisms in a non-Muslim environment (Aldarabseh, 2020). However, structural limitations persist due to the absence of a national sharia regulatory framework and limited public policy support, constraining broader institutional expansion (Toatubun & Holle, 2025).

Table 1. A Comparative Analysis of Islamic Finance Landscapes: Yemen VS United States

Dimension	Yemen	United States
Religious Demography	Muslim-majority population	Muslim minority population
Regulatory Environment	Weak and fragmented Islamic finance regulation	Secular financial regulation with no national sharia authority
Number & Type of Institutions	Several Islamic banks and microfinance institutions	Limited Islamic financial institutions and Islamic windows
Institutional Orientation	Strong social and community empowerment focus	Ethical finance and market adaptation focus
Governance Structure	Sharia Supervisory Boards play a central role	No centralized sharia governance framework
Main Challenges	Political instability, weak regulation, limited infrastructure	Regulatory constraints, low literacy, limited policy support
Development Trajectory	Social inclusion under fragile institutional conditions	Innovation within restrictive conventional systems

Source: Authors Work, 2025

RESEARCH METHOD

This study employed a qualitative, desk-based research design with a structured and systematic literature selection process to ensure analytical rigor rather than narrative description. The literature was collected through a targeted search of academic databases, including Scopus, Web of Science, and Google Scholar, focusing on publications from 2016 to 2025 on Islamic economic institutions in Yemen and the United States. Inclusion criteria included peer-reviewed journal articles, institutional reports, and authoritative Islamic economics references that explicitly addressed the regulatory framework, institutional governance, financial products, and socio-economic impacts of Islamic financial institutions. Studies lacking empirical relevance, methodological clarity, or a focus on a specific country could compromise data validity and analytical coherence.

The unit of analysis in this study is Islamic economic institutions, specifically Islamic banks, Islamic microfinance institutions, and regulatory bodies governing Sharia-compliant finance in each country. The comparative analysis is structured around three main dimensions: (1) institutional governance and regulatory frameworks, including the role of Sharia supervisory authorities and state regulations; (2) operational models and financial products, such as profit sharing, financing structures, and strategic innovation; and (3) socio-economic functions, particularly financial inclusion, poverty alleviation, and contributions to sustainable development.

These dimensions allow for a systematization of how Islamic economic institutions function in different institutional environments.

Yemen and the United States were deliberately chosen to represent two distinct institutional contexts of Islamic economics: Yemen, a Muslim-majority country with weak institutional capacity and conflict-affected governance, and the United States, a highly regulated, secular economy where Islamic finance operates as a distinct system within conventional financial structures. This contrast enables theoretical analysis of how institutional forces and the regulatory environment shape the performance and adaptation of Islamic economic institutions.

Data analysis was conducted through a qualitative content analysis involving three stages: first, coding literature findings according to predetermined dimensions of comparison; second, synthesizing patterns within each national context; and third, conducting cross-country comparisons to identify institutional similarities, differences, and causal mechanisms. The key analytical questions guiding this process include: How do regulatory and governance structures shape Islamic economic institutions in each country? How do operational models adapt to different institutional environments? And to what extent do these institutions contribute to socio-economic development goals in line with Islamic economic principles? This well-defined methodological framework ensures that this research yields analytical insights rather than merely descriptive summaries.

RESULT AND DISCUSSION

Geographical and Demographic Profile of Yemen and the United States

The geographical and demographic characteristics of Yemen and the United States should not be understood merely as descriptive background, but as structural factors that shape the capacity and orientation of Islamic economic institutions in each country. From an institutional economics perspective, economic systems are embedded within political stability, regulatory strength, and social structures that determine their effectiveness in achieving development goals. Yemen's predominantly rural population, agrarian economy, and dependence on natural resources create strong demand for Islamic financial institutions that emphasize redistribution, microfinance, and social welfare in line with the *maqasid al-shariah* principles of justice (*al-'adl*) and public benefit (*al-maslahah*). However, prolonged conflict and weak state governance have produced institutional fragility, limiting regulatory enforcement, weakening financial supervision, and reducing Islamic banks' ability to operate efficiently. As a result, Yemen's abundant resources and strong religious orientation have not translated into sustainable economic empowerment, illustrating the theoretical argument that resource endowment alone is insufficient without institutional quality.

In contrast, the United States operates within a highly formalized capitalist institutional framework characterized by strong legal enforcement, financial infrastructure, and technological innovation. This institutional environment enables Islamic economic institutions to develop adaptively through contractual mechanisms such as *murabahah*-based financing, *ijarah* leasing, and fintech platforms, even in the absence of a formal sharia regulatory authority. While the secular legal system constrains the institutionalization of Islamic economics as a comprehensive system, it simultaneously provides regulatory certainty and market efficiency that support innovation and consumer trust. This reflects institutional adaptation theory, in which

alternative financial models survive by aligning with dominant regulatory structures rather than replacing them. Consequently, Islamic finance in the United States primarily functions as an ethical niche rather than a systemic economic framework.

The theoretical significance of this institutional distinction lies in demonstrating that the success of Islamic economic institutions is determined less by religious demographics or geographical potential and more by governance quality and institutional coherence. Yemen represents a socially embedded Islamic economic model aimed at achieving distributive justice but constrained by weak institutional capacity. At the same time, the United States exemplifies an adaptive institutional model that achieves operational efficiency but lacks comprehensive moral-economic integration. This comparison supports institutional economics theory, particularly the view that effective institutions are fundamental drivers of economic performance and sustainability. It also reinforces *maqasid al-shariah* as a development framework that requires strong governance structures to transform ethical principles into tangible socio-economic outcomes.

Furthermore, the empirical findings of this study confirm that Islamic economic institutions in Yemen prioritize community empowerment and social inclusion through microfinance and redistributive mechanisms, consistent with *maqasid* objectives. Yet, their impact remains limited by regulatory instability and governance weaknesses. Conversely, Islamic financial institutions in the United States demonstrate high levels of product innovation and market adaptation but face structural constraints due to the absence of supportive public policy and persistent socio-cultural barriers. These dynamics illustrate how institutional environments condition both the form and effectiveness of Islamic economics across different national contexts.

Overall, Islamic economics does not operate as a uniform model but evolves according to institutional structures within which it is embedded. Sustainable implementation of Islamic economic principles requires not only ethical commitment but also robust regulatory frameworks, institutional coordination, and adaptive governance. For countries such as Indonesia, this implies that the development of Islamic economics must prioritize institutional strengthening alongside product expansion to ensure that the *maqasid al-shariah* objectives of justice, welfare, and sustainability are effectively realized within a modern economic system.

Dynamics of Islamic Economic Institutions in Yemen and the United States

Dynamics of Islamic Economic Institutions in Yemen

Islamic economic institutions in Yemen have developed in response to the increasing demand for a financial system grounded in sharia principles and social justice. Islamic banks in the country function not only as financial intermediaries but also as strategic agents supporting productive sectors such as small and medium enterprises and community-based economic activities. Regulatory adaptability and supportive government policies play a crucial role in enhancing institutional effectiveness, particularly in responding to digital transformation and economic volatility. Islamic banks in Yemen significantly contribute to expanding microfinance through *murabahah* and *mudarabah*-based financing, thereby improving financial inclusion and promoting grassroots economic empowerment. This institutional synergy reflects the social orientation of Islamic finance, emphasizing welfare enhancement rather than profit maximization (Al-Harethi, 2021).

Institutional governance also remains a key determinant of sustaining public trust and financial performance. The competence and diversity of the Sharia Supervisory Board (SSB) have been shown to influence compliance quality and institutional credibility directly. Strong Sharia governance frameworks enhance transparency, professionalism, and long-term sustainability of Islamic financial institutions (*Saif et al., 2024*). However, political instability and fragmented regulatory systems continue to constrain the full realization of maqasid-oriented economic development in Yemen.

Besides that, these institutional limitations affect the scalability and long-term impact of Islamic financial services across different regions of the country. While microfinance initiatives have successfully expanded access to capital at the community level, inconsistent regulatory enforcement and limited institutional coordination hinder broader financial sector integration. As a result, Islamic economic institutions often operate in isolation rather than as part of a cohesive national development strategy. This fragmentation reduces their capacity to mobilize larger investments, support infrastructure development, and generate sustained economic growth. Consequently, despite their strong social orientation, Islamic banks in Yemen remain constrained in fulfilling their full developmental role within the national economy.

Dynamics of Islamic Economic Institutions in the United States

The development of Islamic economic institutions in the United States presents a distinct trajectory shaped by a secular, interest-based financial system. Despite regulatory constraints, institutions such as LARIBA Bank of Whittier and Guidance Residential have pioneered sharia-compliant financing since the early 1980s by utilizing murabahah and ijarah contracts as alternatives to conventional interest-based mechanisms (*Aldarabseh, 2020*). These initiatives demonstrate the adaptability of Islamic finance within restrictive institutional environments.

However, the growth of Islamic economics in the United States remains limited due to the absence of a national sharia regulatory authority and minimal policy accommodation for Islamic financial instruments. Unlike jurisdictions such as the United Kingdom and Malaysia, which have developed specialized legal frameworks for Islamic finance, the U.S. requires Islamic institutions to operate under conventional banking regulations, thereby restricting institutional expansion and innovation. In addition to regulatory challenges, socio-cultural barriers also hinder broader public acceptance. Misconceptions linking Islamic financial systems with extremism and persistent Islamophobia have negatively influenced market penetration and policy discourse (*Afshar & Muhtaseb, 2018*). The constitutional separation between religion and state further complicates the formal institutionalization of Islamic economics within national financial structures.

The experiences of Yemen and the United States reveal that political stability, regulatory frameworks, governance quality, and societal perceptions deeply shape the development of Islamic economic institutions. Yemen illustrates how Islamic finance can serve as a tool for social empowerment under fragile institutional conditions, while the United States demonstrates adaptive innovation within a secular, restrictive regulatory environment.

Overall, the effectiveness of Islamic economic institutions depends on coherent policy support, strong governance mechanisms, and public literacy regarding sharia financial principles. While Yemen highlights the importance of institutional integration

with social development objectives, the United States underscores the need for regulatory innovation and cultural acceptance to sustain the growth of Islamic economics.

Table 2. Challenges and Strategies for Strengthening Islamic Economic Institutions in Facing Global Challenges in Yemen and the United States

Dimension	Yemen : Key Challenges	Yemen : Strengthening Strategies	United States : Key Challenges	United States : Strengthening Strategies
Regulatory Framework	Fragmented regulations, weak coordination among authorities, political instability	Regulatory harmonization, institutional reform, supportive Islamic finance policies	Absence of national sharia regulatory body, limited policy accommodation	Regulatory sandbox, adaptive legal frameworks, policy engagement
Institutional Capacity	Limited capital, shortage of sharia experts, weak governance systems	Strengthening Sharia Supervisory Boards, HR training, governance reforms	Institutional marginalization within conventional system	Standardized sharia governance (AAOIFI), Islamic windows in major banks
Financial Inclusion	Limited outreach to vulnerable communities	Synergy between Islamic banks and microfinance institutions, social finance optimization	Limited market penetration	Fintech adoption, product innovation
Public Literacy & Perception	Low financial literacy in conflict-affected regions	Education programs, community-based financial services	Low literacy, Islamophobia, misconceptions	Public education campaigns, ethical finance positioning
Innovation & Digitalization	Weak technological infrastructure	Mobile-based Islamic finance services	Regulatory constraints on innovation	Fintech platforms, digital financial solutions

Source: Authors Work, 2025

Strengthening regulations and public policy remains the main challenge faced by Islamic economic institutions in Yemen. Although efforts have been made to align the financial system with sharia principles, gaps remain in coordination among financial authorities, the government, and religious institutions. Regulations that are

not yet fully integrated often hinder innovation in Islamic financial products and limit the operational flexibility of sharia institutions in optimizing their roles in the national economy (Hassan & Ismail, 2025). Islamic banks in Yemen face difficulties in supporting Islamic microfinance institutions due to limited capital, weak inter-agency coordination, and insufficient regulatory support. However, Islamic banks have significant potential to expand access to sharia-compliant microfinance, which plays an important role in poverty alleviation.

Therefore, a synergy strategy between Islamic banks and microfinance institutions is needed to ensure that sharia-compliant financing reaches the most vulnerable segments of society. This effort must be accompanied by strengthening the role of the Sharia Supervisory Board to ensure that financial institutions operate in accordance with Islamic principles, as well as improving human resource capacity in Sharia risk management (Al-Harethi, 2021). The process of converting conventional banks into Islamic banks in Yemen faces obstacles, including a shortage of sharia experts, limited technological infrastructure, and limited public and institutional support from the conventional financial sector. These barriers highlight the importance of targeted institutional reform, including the preparation of comprehensive transition policies and intensive training for Islamic banking employees. Thus, the transformation of Islamic banking should not depend solely on institutional rebranding but must also involve strengthening systems and governance aligned with maqasid sharia (Alkoliby & Al-Hakimi, 2024).

To address these challenges, several strategies can be implemented. First, regulatory harmonization between financial authorities in northern and southern Yemen is crucial to creating legal and operational stability for Islamic financial institutions. Second, the collaboration between Islamic banks and microfinance institutions should be expanded to strengthen the social and economic foundations of lower-income communities. Third, the optimization of social financial instruments such as zakat, waqf, and qard al-hasan can serve as alternative financing sources that support financial inclusion and socio-economic development. Lastly, the digitalization of Islamic finance through mobile-based services can broaden service access and reduce operational costs.

The development of Islamic economics in the United States faces several complex structural, social, and regulatory challenges. The main obstacles to the growth of the Islamic finance industry in the United States include low public acceptance of sharia principles, limited government policy support, and insufficient institutional infrastructure to facilitate widespread implementation of the Islamic economic system (Toatubun & Holle, 2025). In addition, the legal and financial systems in the United States, which are based on secular principles, often pose difficulties in adapting to Islamic concepts such as the prohibition of *riba*, *gharar*, and *maisir*.

Another challenge is the limited awareness and literacy of both Muslim and non-Muslim communities regarding Islamic financial products, causing the Islamic finance market in the United States to remain marginal and with minimal influence on the national economy. Institutionally, the lack of specific regulations governing Islamic financial institutions has forced these entities to operate within conventional legal frameworks that are not always compatible with Sharia principles. This condition has slowed the growth of Islamic banks and sharia-based financial instruments such as *sukuk* and *takaful* in the United States (Abozaid, 2016). Moreover, constitutional issues related to the separation of religion and state have heightened sensitivity in the

development of Islamic economics, as it is often perceived as conflicting with the Establishment Clause of the US Constitution (Toatubun & Holle, 2025).

To overcome these challenges, it is necessary to strengthen Islamic economic institutions through inclusive and adaptive approaches within the American financial system. The government could promote the creation of a regulatory sandbox to allow Sharia financial product innovations to be tested without immediate full compliance with conventional banking regulations. Educational institutions and Islamic organizations in the United States should also enhance Sharia financial literacy to help the public understand Islamic economics not merely as a religious concept but as a universal ethical economic system (Aldarabseh, 2020).

Furthermore, standardizing sharia governance through collaboration with international institutions such as the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) is needed to ensure the compliance and credibility of Islamic financial products. Strengthening cooperation between Islamic and conventional financial institutions is also a strategic step to expand market reach. By establishing Islamic windows within major banks, Islamic financial products can become more accessible without requiring the creation of entirely new infrastructures. Another strategy involves utilizing sharia-based financial technology (fintech) to reduce operational costs and reach consumers digitally (Toatubun & Holle, 2025). With an integrated approach that combines regulation, education, and technological innovation, Islamic economics in the United States has the potential to evolve into an inclusive, adaptive, and competitive ethical financial system capable of addressing global challenges.

Overall, strengthening Islamic economic institutions in both countries requires contextual and collaborative approaches. In Yemen, the focus lies in building an inclusive institutional system that upholds social justice, while in the United States, the strategy centers on innovation, education, and integration with the conventional financial system. Thus, both countries have the opportunity to position Islamic economics as an alternative global economic system grounded in ethics, justice, and sustainability.

Reflective Comparison of Islamic Economic Institutions in Yemen and the United States for Indonesia's Sustainable Economic Development

The comparative analysis between Islamic economic institutions in Yemen and the United States gives valuable insights into how sharia-based economic systems evolve under contrasting political, regulatory, and socio-cultural environments. Despite their fundamental differences, both cases demonstrate that the effectiveness of Islamic economics is shaped not solely by formal regulatory structures but also by institutional commitment to ethical values, governance quality, and social inclusivity.

In Yemen, Islamic economic institutions are deeply embedded in social empowerment and wealth redistribution efforts. Through sharia-based microfinance and community-oriented banking, these institutions function as mechanisms for poverty alleviation and economic inclusion, reflecting core Islamic principles such as *al-maslahah* (public interest) and *al-'adl* (justice). However, institutional fragility remains a persistent challenge. Weak regulatory frameworks, political instability, and limited financial literacy constrain the scalability and sustainability of these initiatives (Alaghbari et al., 2021). This context illustrates how strong ethical orientation alone is insufficient without supportive governance and institutional stability.

Conversely, the United States demonstrates a contrasting model in which Islamic economic institutions operate within a secular and highly regulated financial environment. Despite structural limitations, institutions such as Guidance Residential and LARIBA Bank have successfully adapted sharia principles into conventional legal frameworks through innovative financing mechanisms (Aldarabseh, 2020). This experience highlights the importance of institutional flexibility, regulatory navigation, and public education in expanding the acceptance of Islamic finance beyond religious communities

Taken together, these contrasting trajectories underscore several broader institutional lessons. First, social orientation and ethical commitment are central strengths of Islamic economics, yet they must be reinforced by regulatory coherence and governance capacity to achieve long-term sustainability. Second, adaptability and innovation enable Islamic economic institutions to survive and expand even within non-supportive legal environments. Third, public literacy and trust function as critical enablers of institutional legitimacy and market penetration.

The experiences of Yemen and the United States suggest that sustainable Islamic economic systems require a balanced integration of ethical foundations, institutional resilience, regulatory adaptability, and social acceptance. These structural principles offer a conceptual framework for evaluating Islamic economic development in other countries, including emerging economies with large Muslim populations.

Within this broader analytical perspective, Indonesia's Islamic economic development can be understood not merely as an expansion of sharia-compliant institutions, but as a process of institutional consolidation grounded in governance quality, innovation capacity, and social impact. The comparative lessons emphasize the need for coherent regulatory coordination, inclusive financial mechanisms, and continuous public education to ensure that Islamic economics functions as a transformative development instrument rather than a symbolic financial alternative.

To strengthen the role of Islamic economics in Indonesia's sustainable development, an integrated and adaptive strategy toward global dynamics is needed. First, regulatory and institutional synchronization must be established. Coordination among Islamic financial institutions, fiscal authorities, and social organizations should be reinforced to align Sharia financial policy directions with national development goals. Synergy among the Financial Services Authority (OJK), Bank Indonesia, the National Zakat Agency (BAZNAS), and the Indonesian Waqf Board (BWI) will ensure that policies are not overlapping while strengthening the governance of Islamic economic institutions at the national level.

Second, the optimization of Islamic social funds plays an essential role in supporting inclusive and sustainable development. The vast potential of zakat, waqf, and social sukuk can be utilized as alternative financing sources for green finance and circular economy projects focused on environmental sustainability. Through professional and transparent management, Islamic social funds can act as catalysts for environmentally friendly infrastructure development, poverty alleviation, and strengthening local economies based on justice and public welfare.

Third, the improvement of human resources (HR) quality and Islamic economic literacy must be prioritized. Competency-based Islamic economics education and professional certification programs should be developed to prepare experts capable of meeting digital-era challenges. Strengthening Islamic economics curricula in

universities, providing professional training for practitioners, and promoting financial literacy campaigns will enhance public understanding that Islamic economics is not merely a religious system but also a strategic instrument for national prosperity.

Fourth, the use of Islamic fintech is key to expanding Sharia financial inclusion. Digital transformation offers significant opportunities for Islamic financial institutions to reach rural and informal sectors that remain underserved. By integrating Sharia principles into digital platforms such as peer-to-peer Islamic microfinancing, digital zakat, and productive waqf crowdfunding, public access to halal financing can be expanded efficiently and transparently.

Fifth, global collaboration should be strengthened to broaden networks and enrich innovation within Islamic economics. Indonesia can establish strategic partnerships with international Islamic financial institutions, research centers, and multilateral organizations to develop innovative financial products and green financial technologies. Through such international cooperation, Indonesia can play a leading role in shaping a new direction for global Islamic economics that is inclusive, modern, and sustainability-oriented.

By combining the inclusive social values practiced in Yemen with the institutional innovation demonstrated by the United States, Indonesia can build an Islamic economic ecosystem that is both innovative and sustainable. Ultimately, the sustainability of Islamic economics in Indonesia is not determined by the number of Islamic financial institutions established but by the quality of governance, ethical awareness, capacity for innovation, and visionary regulatory support. The integration of Islamic spiritual values and sustainable development principles will position Indonesia's Islamic economy as a global ethical model that balances material progress, social justice, and environmental preservation.

CONCLUSION

Overall, this study concludes that Yemen and the United States represent contrasting institutional environments that shape the development of Islamic economic institutions in distinct ways. Yemen possesses considerable potential in natural resources and community-based economic sectors; however, prolonged political conflict, weak infrastructure, and fragmented regulatory frameworks constrain the effective functioning of Islamic financial institutions. In this context, Islamic economics has evolved with a strong social empowerment orientation but remains limited by institutional fragility.

In contrast, the United States demonstrates how Islamic economic institutions can emerge and adapt within a secular, interest-based financial system through innovative financing models and regulatory navigation. Nevertheless, limited policy support, low public literacy, and the absence of centralized sharia governance continue to restrict broader institutional expansion. These findings suggest that regulatory coherence, governance quality, public trust, and innovation capacity are critical determinants of sustainable Islamic economic development across diverse contexts.

Despite its contributions, this study is subject to several limitations. First, the research relies primarily on secondary data from existing literature, which may limit empirical depth and real-time institutional insights. Second, the qualitative comparative approach does not capture quantitative performance indicators of Islamic financial institutions, such as financial resilience, market share, or poverty reduction outcomes. Third, the analysis focuses on only two countries, which may

constrain the generalizability of the findings across broader Islamic economic contexts.

Future research should therefore incorporate mixed-method approaches combining qualitative institutional analysis with quantitative financial performance metrics. Expanding comparative studies to include additional Muslim-majority and non-Muslim countries, such as Egypt, Malaysia, the United Kingdom, and Australia, would enhance cross-contextual understanding. Moreover, empirical fieldwork involving policymakers, practitioners, and beneficiaries could provide deeper insights into governance challenges, social impacts, and innovation dynamics. Further studies may also explore the role of Islamic fintech and green Islamic finance in advancing maqasid-oriented sustainable development.

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