



Islamic finance and investment in the halal industry: A systematic literature review

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Article Info

Article History

Received : 2026-03-20

Revised : 2026-04-14

Accepted : 2026-05-01

Published : 2026-05-05

Keywords:

Islamic finance, halal industry, halal ecosystem, Shariah-compliant investment, halal business development

DOI:

[10.20885/IJHI.vol2.iss1.art4](https://doi.org/10.20885/IJHI.vol2.iss1.art4)

JEL Classification:

G21, G28, O16, L66, Z12

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Paper type:

Research paper



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Abstract

Purpose – This study aims to examine the role of Islamic finance and investment in supporting the halal industry's development by synthesizing existing academic literature on financing instruments, economic impacts, and ecosystem development pathways.

Methodology – A systematic literature review (SLR) was conducted using structured search strategies and selection procedures. Relevant studies were identified from major academic databases and screened using defined inclusion and exclusion criteria. The selected literature was analyzed thematically to identify patterns in Islamic financial instruments, economic outcomes, governance mechanisms and ecosystem development within the halal industry.

Findings – The review reveals that Islamic finance contributes to halal industry development through multiple channels, including Shariah-compliant financing instruments, financial inclusion, regulatory governance, and innovation in fintech. Instruments such as Islamic banking, Sukuk, crowdfunding, and fintech platforms support halal business expansion by improving access to capital and strengthening the halal value chain.

Implications – The findings suggest that policymakers, financial institutions, and halal industry stakeholders should strengthen institutional coordination, improve financial literacy, and develop integrated halal ecosystem frameworks that link financing mechanisms with certification, governance, and market development to promote halal SMEs.

Originality – This study provides a comprehensive synthesis of the fragmented literature on Islamic finance and halal industry development by proposing an ecosystem-oriented perspective that integrates financing instruments, governance structures and halal value chain dynamics.

Cite this article:

Wahyudi, T., Bakar, M. H. B., Soleha, N. (2026). Islamic finance and investment in the halal industry: A systematic literature review. *International Journal of Halal Industry*, 2(1), 57-76. DOI: <https://doi.org/10.20885/IJHI.vol2.iss1.art4>

Introduction

The global halal industry has expanded rapidly over the past two decades from a niche market associated mainly with halal food to a broader multi-sector economic system that includes cosmetics, pharmaceuticals, tourism, logistics, and fashion. This expansion has been driven by rising Muslim consumer demand, greater awareness of halal certification, and strengthening of standardized regulatory frameworks that ensure the integrity of Shariah-compliant products and services. As a result, halal is no longer confined to food production but increasingly reflects a wider market for ethically and religiously compliant goods and services. Existing studies show that

certification regimes, standardization systems, and consumer demand have played central roles in accelerating halal industry growth globally (Aisyah et al., 2024; Akbar et al., 2024; Mas'ud & Muwazir, 2025; Riaz et al., 2024).

Islamic finance has emerged as a key enabling infrastructure for halal industry development. Islamic finance provides Shariah-compliant financial mechanisms that align with the ethical and operational needs of halal businesses. By improving access to capital, Islamic finance supports firms operating in halal sectors and reinforces the broader governance framework of the halal economy. Empirical studies indicate that Islamic financial inclusion, literacy, and awareness significantly shape halal-oriented businesses' ability—especially micro, small, and medium enterprises (MSMEs)—to obtain suitable funding and improve business performance (Aisyah et al., 2024; Utomo et al., 2021). In countries such as Indonesia and Malaysia, Islamic financial institutions have strengthened halal sector development through Shariah-compliant investment channels, literacy initiatives, and ecosystem support (Akbar et al., 2024; Mas'ud & Muwazir, 2025).

The literature suggests that Islamic finance contributes not only through capital provision but also through institutional and governance mechanisms that facilitate innovation, quality upgrading and market scalability. Shariah supervisory boards, halal certification regimes, and capital market instruments, including sukuk, Islamic crowdfunding, and other Shariah-compliant platforms, help strengthen trust, governance, and financial stability in halal markets (Mahfudz et al., 2026; Mas'ud & Muwazir, 2025; Utomo et al., 2021; Wiwoho et al., 2024). These arrangements support the expansion of halal businesses while maintaining compliance with Islamic, ethical, and legal standards. However, challenges remain. Some firms still prefer conventional financing due to pricing concerns, service quality, liquidity preferences, and accessibility, highlighting the need for stronger regulatory coherence and institutional coordination between Islamic finance systems and halal industry strategies (Akbar et al., 2024; Mas'ud & Muwazir, 2025; Utomo et al., 2021).

Within academic discourse, the relationship between Islamic finance and the halal industry is increasingly understood as part of an integrated, governance-driven ecosystem. From this perspective, Islamic finance supports halal value chains through Shariah-compliant funding, while certification systems, regulatory institutions, and market structures ensure product legitimacy, quality, and market access across sectors. Therefore, the effectiveness of Islamic finance in halal industry development depends not only on the availability of financial instruments but also on the wider institutional environment that shapes governance, certification, and regulatory coherence (Akbar et al., 2024; Azwar et al., 2025; Mahfudz et al., 2026; Mas'ud & Muwazir, 2025; Utomo et al., 2021). The literature repeatedly highlights three dimensions: inclusive capital access, financial literacy, and regulatory coordination; the role of Shariah governance and halal certification in supporting innovation and scalability; and the importance of literacy as a mediator of financing adoption and MSME performance (Aisyah et al., 2024; Akbar et al., 2024; Mahfudz et al., 2026; Mas'ud & Muwazir, 2025; Utomo et al., 2021; Wiwoho et al., 2024).

To clarify this landscape, scholars distinguish between three related concepts: halal industry, halal economy, and halal ecosystem. The halal industry refers to sectors that produce halal goods and services, such as food, cosmetics, tourism, logistics, and finance, along with their value chains. The halal economy refers to the broader system in which halal products and services are produced, distributed, certified, and traded, with an emphasis on governance structures, certification systems, market institutions, and regulations (Akbar et al., 2024; Mas'ud & Muwazir, 2025; Utomo et al., 2021). The halal ecosystem extends this further by focusing on the interconnected network of stakeholders—including regulators, financial institutions, certification bodies, businesses, and educational organizations—that collectively sustain halal industry growth in a Shariah-compliant environment (Aisyah et al., 2024; Akbar et al., 2024; Martín et al., 2020; Mas'ud & Muwazir, 2025; Utomo et al., 2021).

To better understand this evolving landscape, scholars distinguish between three closely related but conceptually distinct terms: halal industry, halal economy, and halal ecosystems. The halal industry typically refers to the concrete sectors that produce halal goods and services, including food, cosmetics, tourism, logistics, and finance, and their associated value chains (Martín et al., 2020; Utomo et al., 2021). In contrast, the halal economy encompasses the broader economic

environment in which halal products and services are produced, distributed, certified, and traded, emphasizing governance structures, certification systems, market institutions, and regulatory frameworks that enable halal markets to function effectively (Akbar et al., 2024; Martín et al., 2020; Mas'ud & Muwazir, 2025). The concept of a halal ecosystem extends this perspective further by highlighting the interconnected network of stakeholders—including regulators, financial institutions, certification bodies, businesses, and educational organizations—that collectively create a sustainable and Shariah-compliant environment for halal industry growth (Akbar et al., 2024; Martín et al., 2020; Mas'ud & Muwazir, 2025; Sholihah et al., 2025; Utomo et al., 2021).

Within this ecosystem, Shariah-compliant investment is widely regarded as fundamental to sustainable halal business development. Islamic finance emphasizes ethical investment, risk-sharing, transparency, and accountability, which strengthen trust and long-term stability in halal markets. Empirical evidence shows that Islamic financial literacy and inclusive access to Shariah-compliant financing improve MSME performance and support the expansion of halal ecosystems (Aisyah et al., 2024; Utomo et al., 2021). Regulatory and governance instruments such as Shariah boards, sukuk markets, and Islamic crowdfunding are likewise seen as important tools for innovation, market access, and resilience (Akbar et al., 2024; Mahfudz et al., 2026; Mas'ud & Muwazir, 2025; Wiwoho et al., 2024).

The rapid expansion of the halal industry and the increasing role of Islamic finance in halal investments highlight the need for a systematic literature synthesis. Although many studies address specific aspects of halal industry development or Islamic finance, the literature remains fragmented across sectors, financing instruments and institutional contexts. Prior research has largely treated halal industry growth, Islamic finance development, and governance issues separately, with limited exploration of how these elements interact within a unified halal economic system. This gap complicates the understanding of whether Islamic finance serves merely as a funding source or as a broader mechanism supporting halal value chains, business enhancement, and ecosystem coordination.

This gap is especially critical in the current global economic context, where the halal industry is expanding internationally amid tighter financing conditions, rising demand for ethical investments, digital transformation in financial services, and greater regulatory accountability. Understanding how Islamic finance can effectively support halal sectors has become a theoretical and practical concern for governments, regulators, financial institutions, and halal businesses.

Despite the growing importance of this topic, no review has integrated the three key dimensions of Islamic financial instruments, economic impacts, and institutional development pathways within the halal industry. This study addresses this gap by conducting a systematic literature review that merges these dimensions into a cohesive, ecosystem-oriented perspective, moving beyond fragmented sector-specific discussions to explain how finance, governance, and halal business development are interconnected within an integrated ecosystem.

Literature Review

Evolution of the halal industry and Islamic finance

The concept of the halal industry has expanded from product compliance, mainly focusing on halal food certification, to a broader economic system covering sectors such as food, cosmetics, pharmaceuticals, tourism, logistics, and fashion. This shift reflects the integration of Shariah principles into financial intermediation and halal market ecosystems. Scholars argue that Islamic finance is crucial in supporting the halal economy by providing ethical financial mechanisms that align with the needs of halal businesses (Khan & Uddin, 2023; Martín et al., 2020; Wiwoho et al., 2024).

Frameworks such as Maqasid al-Shariah offer a basis for understanding how Islamic finance contributes to capital provision and broader economic development. Maqasid al-Shariah emphasizes core values such as public welfare, justice, and equity, which are integral to the halal industry. By aligning finance with these values, Islamic finance supports a sustainable and ethical halal market.

Recent systematic and bibliometric reviews highlight the emergence of the "halal ecosystem" concept, which frames halal development as an interconnected network of institutions, markets and stakeholders. Within this ecosystem perspective, halal certification, regulatory oversight, and financial infrastructure work together to support market access and cross-sector growth. Scholars are increasingly linking halal ecosystem development with broader normative frameworks such as Maqāṣid Shariah and Sustainable Development Goals (SDGs), emphasizing the ethical, social, and economic dimensions of halal industries (Harahap et al., 2023; Martín et al., 2020).

Despite these developments, several tensions remain in the evolving halal ecosystem. Scholars have pointed to challenges related to certification legitimacy, regulatory fragmentation, and inconsistent governance frameworks across jurisdictions. These issues may undermine consumer trust and create barriers to integrating financial systems with halal production and distribution networks (Martín et al., 2020; Wiwoho et al., 2024).

The development of Islamic finance has followed a closely related trajectory. Rooted in classical Islamic economic principles—including the prohibition of *riba* (interest), the promotion of risk-sharing, and ethical investment guidelines—Islamic finance has emerged as a Shariah-compliant alternative to conventional financial systems. Over time, these principles have been institutionalized through the establishment of Islamic banks, Shariah supervisory boards, Sukuk markets, and Islamic microfinance institutions. (Akbar et al., 2024; Utomo et al., 2021; Wiwoho et al., 2024).

Modern Islamic finance has expanded into new areas, such as financial technology (fintech), digital crowdfunding platforms, and blockchain-based financial systems. These innovations are supported by regulatory institutions and governance structures designed to ensure compliance with Shariah principles while enabling financial innovation and market expansion (Ahmed, 2024; Kok et al., 2022).

Major schools of thought

The literature on Islamic finance and halal industry development is characterized by several schools of thought that interpret the relationship between finance and halal markets from various theoretical perspectives. These perspectives include complementarity, functionalist, institutionalist, and entrepreneurial development approaches.

The complementarity perspective views Islamic finance and the halal industry as mutually reinforcing pillars of the broader halal economic ecosystem. In this view, Shariah-compliant financial institutions provide the capital and financial infrastructure necessary to support halal value chains, whereas halal certification systems and consumer demand generate incentives for financial institutions to expand Shariah-compliant services. This interaction creates a mutually reinforcing cycle of market growth and institutional development (Akbar et al., 2024; Martín et al., 2020; Mas'ud & Muwazir, 2025; Utomo et al., 2021).

In contrast, the functionalist perspective interprets Islamic finance primarily as a mechanism for mobilizing and allocating capital to halal enterprises. From this perspective, financial instruments such as Islamic banking facilities, Sukuk, and crowdfunding platforms serve as practical tools that enable firms to expand production, invest in technology, and enter new markets. While Shariah compliance remains important, the emphasis is on financial efficiency and resource allocation rather than broader ecosystem integration (Ahmed, 2024; Akbar et al., 2024; Mas'ud & Muwazir, 2025; Wiwoho et al., 2024).

The institutionalist perspective highlights the importance of governance structures, regulatory frameworks, and certification regimes in enabling the integration of Islamic finance with halal industry development in Indonesia. Institutional theory suggests that formal rules and standards, such as Shariah supervisory boards, halal certification systems, and regulatory oversight, create legitimacy and reduce uncertainty within halal markets. Strong institutional frameworks facilitate coordination among stakeholders and support the diffusion of Islamic financial instruments across halal sectors (Aisyah et al., 2024; Akbar et al., 2024; Mahfudz et al., 2026; Mas'ud & Muwazir, 2025).

Finally, the entrepreneurial development perspective emphasizes the role of Islamic finance in supporting halal entrepreneurship and SME growth. This perspective highlights the importance of financial inclusion, financial literacy, and accessible funding mechanisms in enabling entrepreneurs to participate in the halal market. Islamic financial innovations, including crowdfunding, fintech platforms, and microfinance institutions, are viewed as key tools for promoting inclusive economic development within halal industries (Ahmed, 2024; Aisyah et al., 2024; Akbar et al., 2024; Wiwoho et al., 2024).

Ongoing debates and controversies

Despite the growing body of literature, several debates remain unresolved. One major issue is the extent to which Islamic finance has been integrated into halal industry development. While Indonesia and Malaysia have relatively mature halal ecosystems, many regions still show the parallel development of halal certification and Islamic financial systems rather than full integration (Akbar et al., 2024; Martín et al., 2020; Mas'ud & Muwazir, 2025; Wiwoho et al., 2024). Other debates focus on regulatory fragmentation, weak Shariah governance, limited harmonization, and financial literacy gaps among halal entrepreneurs (Ahmed, 2024; Aisyah et al., 2024; Utomo et al., 2021).

Value chain analysis further shows that halal sectors require different financing across the production, distribution, and expansion stages, with Sukuk, Islamic banking, and crowdfunding proposed as possible solutions (Akbar et al., 2024; Hasan et al., 2020; Kok et al., 2022; Mahfudz et al., 2026). However, their effectiveness remains debated because of high transaction costs, limited product diversity, and regulatory inconsistency (Ahmed, 2024; Mahfudz et al., 2026). Finally, emerging studies link halal finance with sustainability through green Sukuk and SDG-aligned investments, although supporting institutional frameworks are still underdeveloped (Mahfudz et al., 2026; Napitupulu et al., 2024; Noor, 2024).

Research Methods

Review design and systematic literature review approach

This study adopts a Systematic Literature Review (SLR) to synthesize research on Islamic finance and investment in the halal industry. SLR is widely used to ensure transparency, replicability, and methodological rigor in the identification and evaluation of relevant academic literature. To ensure the rigor and replicability of this study, the systematic review followed the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) protocol. This protocol was strictly adhered to at each stage of the review process, including the identification, screening, eligibility, and inclusion of studies. The use of a standard protocol ensures transparency and consistency, which are essential for the reproducibility of the review findings. Reviews commonly rely on databases such as Scopus to analyze keyword co-occurrence, citation networks and thematic clusters (Mi'raj & Ülev, 2024; Napitupulu et al., 2024).

Other studies have applied thematic reviews to synthesize discussions on Maqāṣid Shariah, governance, and the Sustainable Development Goals (SDGs), sometimes combining qualitative policy analysis with quantitative bibliometrics (Harahap et al., 2023; Razaki, 2022). This study follows a structured Systematic Literature Review (SLR) framework based on PRISMA principles to ensure transparency and reproducibility (Figure 1). The process began by defining the review scope, selecting the database, and creating Boolean search strings related to Islamic finance, halal industry, governance, and investment. Duplicate records were removed during the screening stage, and titles and abstracts were evaluated using predefined inclusion and exclusion criteria. In the eligibility stage, full-text assessments were conducted to determine the relevance of the studies to the review objectives. Finally, the inclusion stage confirmed the studies to be analyzed, which were then classified for thematic synthesis. This systematic approach ensured that the selected literature was relevant, methodologically sound, and aligned with the review's goal of exploring Islamic financial instruments, economic impacts, and ecosystem development in the halal industry.

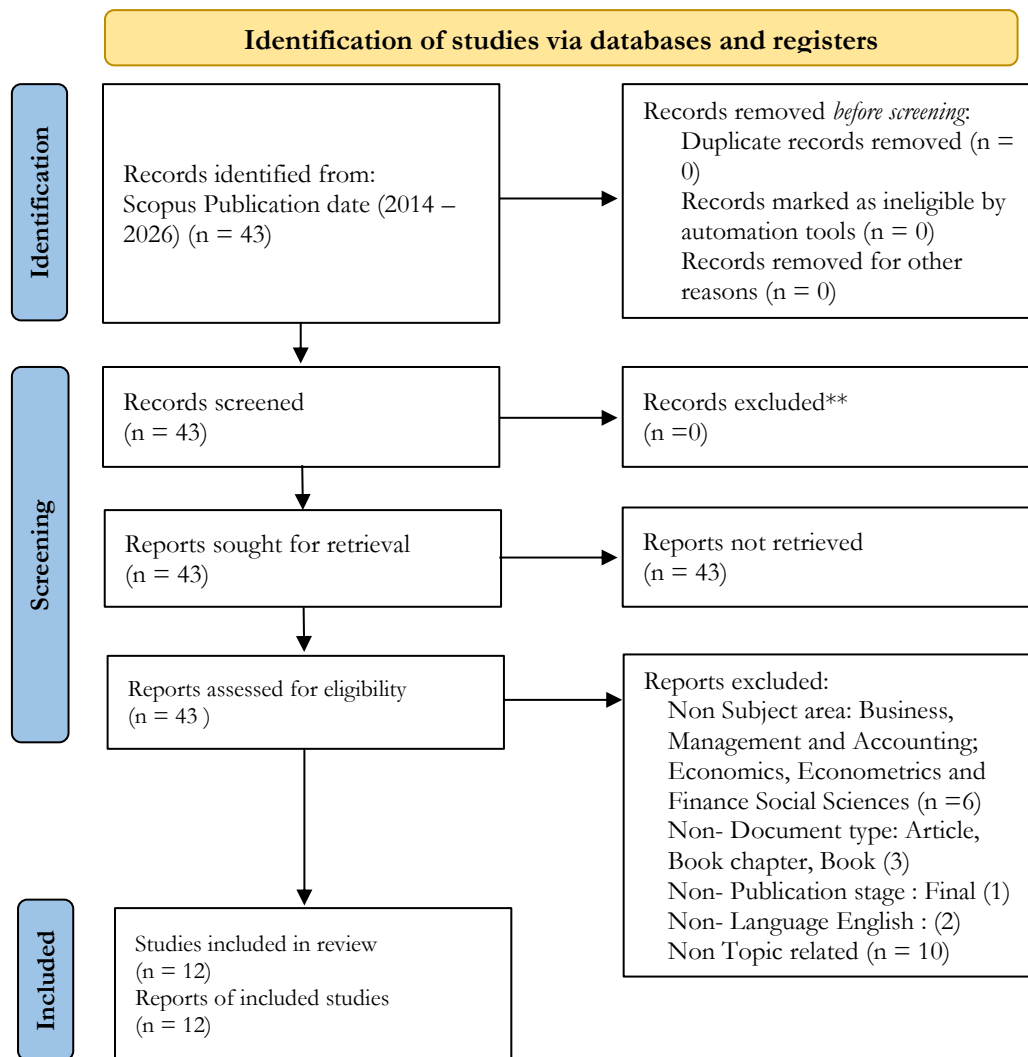


Figure 1. PRISMA flow diagram
Source: Data processed by the researcher (2026)

Database selection, search strategy, and keyword design

Relevant literature was identified primarily through Scopus, which is widely recognized as a core database for halal and Islamic finance research (Husin et al., 2021; Noor, 2024). The search strategy followed the standard Boolean logic to connect the main concepts of the study. Previous reviews commonly combine terms related to halal sectors, Islamic finance, governance and sustainability.

Typical search strings included: ("halal" OR "halal industry" OR "halal supply chain") AND ("Islamic finance" OR "Sukuk" OR "Shariah banking" OR "Islamic fintech") AND ("governance" OR "Maqasid Shariah" OR "SDGs" OR "investment"). Additional searches targeted specific sectors or mechanisms, such as halal certification, regulations, halal tourism, halal fashion, and halal pharmaceuticals.

Boolean search strings were designed to reflect the intersection of the three core dimensions of this review: the halal industry, Islamic finance, and governance. The halal industry encompasses production, services, and value chain. Islamic finance focuses on Shariah-compliant financial instruments that support halal business development. Governance, Maqasid Shariah, SDGs, and investment examine the institutional, ethical, and developmental pathways through which Islamic finance contributes to halal industry growth. This review integrates these dimensions to explore how Islamic financial mechanisms interact with halal sector development and governance in Indonesia.

From the 43 articles identified in Scopus, 12 studies met the inclusion criteria and were included in this thematic review. These studies form the basis for the analysis of financial

instruments, economic impacts, and ecosystem development pathways presented in [Tables 1](#), [Table 2](#), and [Table 3](#).

Inclusion and exclusion criteria and screening process

This review applied explicit inclusion and exclusion criteria following the PRISMA-inspired procedures ([Alkadi, 2024](#); [Harahap et al., 2023](#)). The included studies had to address Islamic finance, halal industry development, or Shariah-compliant investment. Eligible publications included empirical studies, theoretical papers, and policy or governance analyses written in English and relevant to the scope of the review. Studies were excluded if they focused solely on conventional finance, halal consumer behavior without linkage to finance or governance, lacked methodological transparency, or did not explicitly address Shariah-compliant finance or halal governance ([Alkadi, 2024](#); [Farhat & Hili, 2025](#); [Harahap et al., 2023](#)). Screening followed the sequence of identification, duplicate removal, title and abstract review, full-text assessment, and final inclusion, with the process documented in PRISMA.

Quality assessment and thematic synthesis

Quality appraisal was conducted using structured criteria aligned with PRISMA and supported by domain-specific indicators, such as Shariah governance relevance, regulatory alignment, and conceptual clarity ([Harahap et al., 2023](#); [Hasan et al., 2020](#); [Uddin, 2021](#)). The selected studies were then analyzed through thematic synthesis, which involved coding and grouping them into major themes related to governance, financial instruments, sustainability and ecosystem development.

Results and Discussion

The findings of this review are summarized in a table, highlighting the key themes, instruments, and trends across the studies. To enhance clarity, we added two visualizations to the manuscript. [Figure 2](#) shows a graph of publication trends, illustrating the increasing number of publications on Islamic finance and the halal industry, indicating a growing academic interest in this area. Additionally, a pie chart depicts the limited number of systematic literature reviews (SLRs) published in this field, highlighting the gap in comprehensive reviews integrating Islamic finance and halal business dimensions. These visualizations aim to make the findings more accessible and contextualize the review within a broader research landscape.

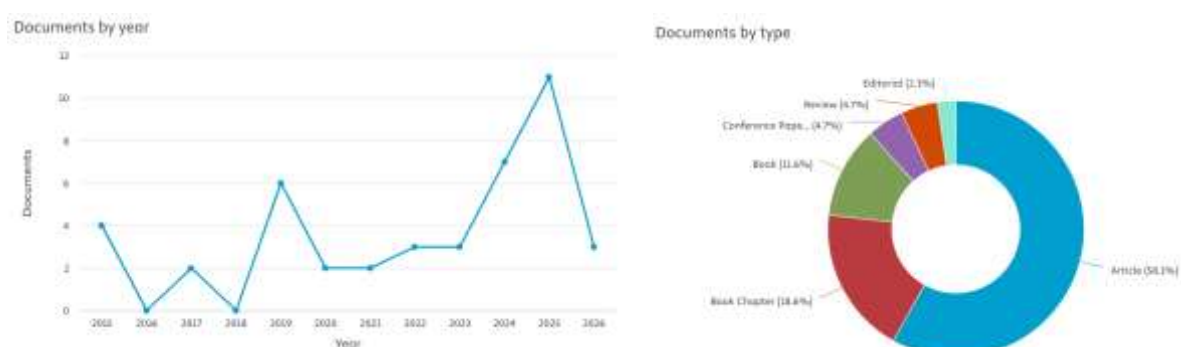


Figure 2. Publication trend analysis
Source: Analysis of results from Scopus (2026)

Islamic financial instruments for halal business financing

The literature reviewed in [Table 1](#) highlights that Islamic financial instruments serve not only as capital sources for halal businesses but also as key components of a broader halal ecosystem shaped by governance, literacy, institutional support, and market access. The main question is as follows: How do these findings address real-world challenges in the halal ecosystem? The 12 studies included in this review were selected for their direct relevance to Islamic financial instruments, halal

business development, and ecosystem-enabling conditions. Rather than prioritizing volume, this review emphasizes conceptual relevance and thematic depth.

The findings suggest that Islamic finance can address key challenges in the halal ecosystem, such as financing access, market integration, and sectoral expansion issues. For example, Islamic banking and crowdfunding can resolve capital access issues for halal SMEs, and financial literacy and inclusion programs can improve the use of available instruments. Regulatory coherence and institutional collaboration are essential for creating an effective environment for these instruments to function.

The final sample of 12 studies was deemed adequate, covering a diverse range of financing mechanisms—Islamic banking, capital market instruments, crowdfunding, microfinance, and financial inclusion—across various sectors and institutional contexts. This distribution reflects that the literature on Islamic finance and halal industry development is influenced by ecosystem maturity, institutional capacity, and the leadership of countries such as Indonesia and Malaysia in halal governance and Shariah-compliant finance. However, the empirical base remains uneven, with a concentration of studies in Muslim-majority countries.

The reviewed studies cover a diverse set of financing arrangements, including Islamic banking, Islamic capital market instruments, equity crowdfunding, Shariah security crowdfunding, Islamic microfinance, Islamic financial inclusion, and contract-based instruments such as *mudarabah*, *musharakah*, *ijarah*, *murabahah*, *istisna*, and *qard hassan*. Despite this diversity, Islamic banking and broad Shariah-compliant financing remain the dominant forms of financing. Of the 12 studies, at least seven explicitly discussed Islamic banking, general Islamic financing, or Shariah-compliant financing as the principal mechanism for halal business development, while two focused on crowdfunding models, one emphasized Islamic microfinance together with banking, and two foregrounded literacy and inclusion as enabling conditions for the effective use of available instruments. This suggests that financial instruments alone do not guarantee halal business development; their effectiveness depends on access, awareness, institutional trust, and regulatory coherence, in line with the ecosystem and institutional perspectives outlined above.

The financing purposes attached to these instruments vary substantially across countries. Some are linked to long-term sectoral funding and ecosystem integration, while others are associated with start-up capital, innovation, product quality upgrading, market access and business expansion. [Muhammed et al. \(2014\)](#) positioned Islamic banking and Islamic capital market instruments as long-term funding mechanisms for integrated halal industry development in Malaysia. [Martín et al. \(2020\)](#) extended the discussion to halal tourism, showing that Islamic finance may facilitate service sector specialization. [Utomo et al. \(2021\)](#) stress that Islamic financial products are important as part of a broader financial ecosystem in which literacy, awareness, and institutional quality shape actual use and performance. [Abdullah and Oseni \(2017\)](#) identify Shariah-compliant equity crowdfunding as a promising alternative for halal SMEs and startups that face limited access to conventional credit. [Antara et al. \(2017\)](#) show that Islamic business financing literacy regarding instruments such as *mudarabah*, *musharakah*, *ijarah*, *murabahah*, *istisna*, and *qard hassan* is critical for helping halal-oriented SMEs choose suitable funding arrangements.

[Smolo et al. \(2020\)](#) highlighted the role of Islamic banking and microfinance in broadening inclusion and supporting halal industry growth in an emerging market setting. [Mas'ud and Muwazir \(2025\)](#) argue that Shariah-compliant financing supported by strong legal and regulatory frameworks can improve innovation, quality, and competitiveness in halal sectors. [Zaib et al. \(2025\)](#) show that entrepreneurial awareness, religious norms, and perceptions are central to determining whether halal food entrepreneurs adopt Islamic financing. [Nurein \(2023\)](#) broadens the lens by presenting Islamic finance as part of a wider halal entrepreneurship ecosystem, involving not only capital access but also branding, product development, and market integration. [Akbar et al. \(2024\)](#) show that in the halal cosmetics industry, Islamic banking works most effectively when combined with education, mentoring, and standardization support. [Aisyah et al. \(2024\)](#) identified Islamic financial inclusion, driven by literacy, as a practical pathway for improving halal MSME performance. [Mahfudz et al. \(2026\)](#) emphasized that Shariah security crowdfunding can expand innovative investment capacity and become a future financing channel for halal-oriented ventures.

Evidence also shows that halal business financing is discussed across multiple business levels and sectors. Of the 12 studies, four focused on broad halal industry development, four on SMEs, MSMEs, start-ups, or microenterprises, and four on specialized settings such as halal tourism, halal food entrepreneurship, halal cosmetics, and halal entrepreneurship ecosystems. This supports the value-chain argument introduced earlier: financing needs differ by sector, scale, and growth stage. Start-up and SME financing tends to favor more accessible instruments, such as crowdfunding, inclusion-oriented banking, or literacy-supported finance, whereas broader sectoral upgrading is more often linked to Islamic banking, capital markets, and regulatory support.

Across studies, the reported benefits include better access to capital, stronger Shariah alignment, support for innovation and quality upgrading, entrepreneurial inclusion, and stronger legitimacy for halal business growth. However, these benefits are rarely automatic. Nearly all studies also reported constraints, including fragmented authority structures, governance ambiguity, high pricing, weak technology, low service quality, literacy gaps, low awareness, weak legal frameworks, and limited institutional synergy. Thus, Islamic financial instruments are best understood as conditionally effective; they support halal business development when embedded in coherent governance systems, supported by literacy and awareness, and aligned with sector-specific business needs. Overall, the findings suggest that Islamic financial instruments support halal business development through three main routes: providing Shariah-compliant access to capital, strengthening legitimacy and trust, and working in combination with enabling conditions such as literacy, inclusion, governance harmonization, and institutional collaboration.

Table 1. Characteristics and roles of Islamic financial instruments in halal business development

No.	Author(s) and Year	Country/Context	Halal Sector/Business Type	Islamic Financial Instrument/Mechanism	Financing Purpose	Reported Benefits	Reported Constraints/Limitations	Key Implication for Halal Business Development
1	Muhamed, Ramli, Aziz, & Yaakub (2014)	Malaysia; authority bodies and policy context	General halal industry (food, pharmaceuticals, cosmetics, services)	Islamic banking and Islamic capital market instruments	Long-term funding and sectoral integration	Supports policy-level integration between Islamic finance and halal industry; encourages harmonized Shariah-based ecosystem	Authority bodies focus on different halal aspects; integration still incomplete	Islamic financial institutions can serve as long-term funders for halal industry development if regulatory and supervisory alignment improves
2	Martín, Orden-Cruz, & Zergane (2020)	Cross-cultural/halal tourism context	Halal tourism	Islamic finance (general financing role)	Development of halal tourist products and sector specialization	Shows Islamic finance can actively support halal tourism development and strategic specialization	Limited prior empirical research; role still underexplored	Islamic finance can expand beyond banking to become a strategic enabler in service-based halal sectors
3	Utomo, Sekaryuni, Widarjono, Tohirin, & Sudarsono (2021)	Indonesia	Broad halal industry/business owners	Islamic financial products; Islamic financial ecosystem	Improve halal industry performance through financing adoption and ecosystem support	Literacy, awareness, and supportive ecosystem increase intention to use Islamic finance; provides integrated stakeholder road map	Expensive pricing, less developed technology, weak service quality, and product concerns reduce adoption	Halal industry performance depends not only on finance availability but also on ecosystem quality and user adoption factors
4	Abdullah & Oseni (2017)	Malaysia	Halal SMEs/halal start-ups	Shariah-compliant equity crowdfunding	Raising start-up capital and alternative SME financing	Offers an alternative financing source for halal SMEs; improves access to Shariah-compliant capital; may strengthen sector sustainability	Existing guidelines do not specifically define a halal-oriented Shariah crowdfunding platform; governance issues remain	Equity crowdfunding is a promising instrument for halal SME development, especially where conventional credit access is limited
5	Antara, Musa, & Hassan (2017)	Malaysia	SMEs involved in halal production	Islamic business financing instruments measured through Islamic financial literacy (e.g., mudarabah, selection)	Improve financing readiness and informed instrument selection	Better Islamic financial literacy can support more appropriate financing choices	Islamic financing uptake is declining; literacy gaps constrain effective use of	Financial literacy is a foundational enabler that shapes whether halal businesses can actually

			musharakah, ijarah, murabahah, istisna, qard hassan)		among halal business owners	available instruments	utilize Islamic financial instruments	
6	Smolo, Šeho, & Kabir Hassan (2020)	Bosnia and Herzegovina	Halal industry/microenterprise context	Islamic banking and Islamic microfinance/microcredit	Industry development and broader market expansion	Demonstrates the developmental role of Islamic banking as the major player and indicates potential inclusion role for microfinance	Weak legal and regulatory framework, low awareness, low demand, and insufficient government support	Expansion of halal industry in emerging markets requires both Islamic banking depth and supportive institutional infrastructure
7	Mas'ud & Muwazir (2025)	Indonesia	Halal sector broadly; innovation and quality enhancement	Sharia-compliant financing supported by legal and regulatory instruments	Improve innovation, quality, and inclusive capital access	Legal frameworks facilitate ethical and inclusive access to capital and support a more competitive halal industry	Regulatory overlap, weak enforcement, and poor harmonization across regulations	Stronger legal-regulatory design enhances the effectiveness of Sharia-compliant financing for halal business upgrading
8	Zaib et al. (2025)	Malaysia	Halal food entrepreneurs	Islamic financing (general)	Financing adoption by entrepreneurs	Awareness, religious norms, and perception are crucial to financing adoption	Study limited to halal food entrepreneurs; narrow sample and sectoral scope	Entrepreneur behavior is a key determinant of whether Islamic financing can effectively support halal business growth
9	Nurein (2023)	Conceptual/halal entrepreneurship context	Halal entrepreneurship /halal ecosystem	Islamic finance (integrative role across financing modes)	Enhance access to capital, product development, branding, and ecosystem strengthening	Improves access to capital, ethical financing, market integration, product development, capacity building, and branding opportunities	Lack of awareness and fragmented cross-border regulatory frameworks	Islamic finance contributes not only to funding, but also to broader entrepreneurial ecosystem formation in halal markets
10	Akbar, Kurniawan, Dakhoir, & Fahmi (2024)	Indonesia	Halal cosmetics industry	Islamic banking financing and regulatory support	Financing, mentoring, education, and industry standardization	Supports sector growth through funding, institutional synergy, mentoring, and awareness-building	Regulatory optimization and institutional synergy are still needed	Islamic banking can play a sector-specific developmental role when linked with regulation, standardization, and business assistance
11	Aisyah, Pratikto, Wardoyo, & Restuningdiah (2024)	Indonesia (Malang Raya)	Halal MSMEs in food and beverage	Islamic financial inclusion supported by Islamic financial literacy	Improve business performance through access to Islamic finance	Higher literacy encourages inclusion; inclusive Islamic finance significantly improves MSME performance	Evidence limited to one region and sector; access remains uneven	Islamic financial inclusion is a practical pathway through which halal MSMEs can achieve business growth and expansion
12	Mahfudz, Umam, & Ihsan (2026)	Indonesia	Halal industry investment/crowdfunding context	Shariah security crowdfunding	Boost investment and expand innovative financing capacity	Innovation strategy, governance, and risk-compliance can strengthen crowdfunding industry capacity to support halal investment	Competition, sluggish investment growth, and regulatory constraints impede scale-up	Digital Shariah-compliant crowdfunding may become an important future instrument for mobilizing halal-focused investment

Source: Processed by Author, (2026)

Investment, economic performance, and business outcomes in the halal industry

Table 1 identifies the types of Islamic financial instruments and financing mechanisms discussed in the literature, while Table 2 shifts the focus to the economic and business outcomes linked to these instruments. Table 2 examines the impact of financing arrangements on performance, growth, innovation, inclusion, competitiveness, and investment expansion in the agricultural sector. The studies in Table 2 show that Islamic finance and halal investment are increasingly associated with positive economic and business outcomes, although the strength of evidence varies across contexts, sectors, and methods.

Across the 12 studies, the most consistent pattern is that Islamic finance contributes through direct and indirect channels. Direct channels include business growth, access to capital, innovation, competitiveness, and sectoral expansion. Indirect channels include literacy, financing intention, market legitimacy, institutional confidence, and ecosystem strengthening. This pattern is consistent with earlier theoretical arguments that the relationship between finance and halal industry development is mediated by governance, adoption, and capability, rather than by capital provision alone (Aisyah et al., 2024; Akbar et al., 2024; Martín et al., 2020; Mas'ud & Muwazir, 2025; Utomo et al., 2021).

The evidence base is thus geographically concentrated. Of the 12 studies, five were based in Indonesia, three in Malaysia, one in Bosnia and Herzegovina, one in an international halal tourism context, and two in broader conceptual settings. Thus, eight of the 12 studies, or approximately two-thirds, are concentrated in Indonesia and Malaysia. This reinforces the view that the strongest evidence of Islamic finance and halal industry performance comes from settings where halal governance, Shariah-compliant finance, and market institutions are more mature. Simultaneously, this concentration limits broader theoretical generalization because the positive effects observed may depend on supportive institutional conditions not yet present in other halal markets (Akbar et al., 2024; Martín et al., 2020; Mas'ud & Muwazir, 2025; Wiwoho et al., 2024).

The sectoral spread was also significant. At least five of the 12 studies focused on the broad halal industry or cross-sector contexts, while the remaining seven examined more specific settings, such as halal tourism, halal SMEs and start-ups, halal entrepreneurship, halal cosmetics, halal MSMEs in food and beverage, and crowdfunding-oriented halal investment. This suggests that the literature recognizes economic effects at multiple levels: sector-wide development, firm-level outcomes, and ecosystem-level transformation (Aisyah et al., 2024; Akbar et al., 2024; Mahfudz et al., 2026; Nurein, 2023).

One of the clearest patterns in Table 2 is the distinction between studies that provide direct performance evidence and those that provide conceptual or indirect evidence of it. Of the 12 studies, only a small subset explicitly links Islamic finance to measurable business performance or financing outcomes using empirical approaches. Utomo et al. (2021) found that the intention to use Islamic financial products positively influences halal industry performance in Indonesia, with awareness, literacy, and ecosystem support acting as enabling conditions. Aisyah et al. (2024) report that Islamic financial inclusion significantly improves the performance of halal MSMEs in food and beverage in Malang Raya, making it one of the strongest empirical contributions in this table. Antara et al. (2017) show that knowledge of Islamic financing instruments improves financing readiness and decision quality among SMEs involved in halal production, although the linkage to realized firm performance remains indirect. Zaib et al. (2025) also provide empirical behavioral evidence by showing that awareness, religious norms, and perceptions influence halal food entrepreneurs' use of Islamic financing. Taken together, these empirical studies suggest that the finance–performance relationship is real but mediated: better literacy, greater inclusion, and a stronger intention to use Islamic finance are central mechanisms through which business outcomes improve (Aisyah et al., 2024; Antara et al., 2017; Utomo et al., 2021; Zaib et al., 2025).

At the same time, the table shows that most of the literature remains conceptual, policy-oriented, or prospective rather than strongly causal. In Table 2, at least 7 of the 12 studies are primarily conceptual, mixed conceptual-contextual, or sectoral analyses that infer positive business outcomes without measuring them through rigorous firm-level or longitudinal data. Muhamed et al. (2014) argue that better integration between the halal industry and Islamic finance can strengthen long-term industry development and funding capacity in Malaysia, but the evidence remains ecosystem-oriented rather than directly performance-based. Martín et al. (2020) suggest that Islamic finance can support halal tourism development and strategic sectoral specialization, yet the analysis is more conceptual than econometric. Abdullah and Oseni (2017) position Shariah-compliant equity crowdfunding as a promising alternative for halal SMEs and start-ups, especially for improving access to capital, but again the evidence is more prospective than outcome-based. Similarly, Akbar et al. (2024), Mahfudz et al. (2026), Mas'ud and Muwazir (2025), and Nurein (2023) describe pathways through which Islamic finance can generate innovation, product development,

competitiveness, or investment expansion, but the measures of actual economic effect remain (Abdullah & Oseni, 2017; Akbar et al., 2024; Mahfudz et al., 2026; Mas'ud & Muwazir, 2025; Muhamed et al., 2014; Nurein, 2023; Riaz et al., 2024).

Another important pattern is the wide variety of outcomes examined. Across the 12 studies, the outcomes included sectoral development, specialization, access to capital, SME sustainability, innovation, quality enhancement, competitiveness, entrepreneurial uptake, product development, branding, market integration, MSME performance, investment growth, financing readiness, and decision quality. This diversity shows that the literature does not treat economic impact as a single variable but as a broad set of firm- and ecosystem-level indicators (Harahap et al., 2023; Mahfudz et al., 2026; Mi'raj & Ülev, 2024).

Overall, all 12 studies identified positive or potentially positive links between Islamic finance, halal-focused investment, and business development, but only a minority provided direct and robust outcome measurements. The literature therefore supports the conclusion that Islamic finance is economically important for halal industry development; however, the evidence remains stronger on enabling pathways than on standardized causal measurement. This makes the information in Table 2 an important bridge between the instrument-focused analysis in Table 1 and the governance and ecosystem pathways examined in the following tables.

Table 2. Economic impacts of Islamic finance on halal industry performance and growth

No.	Author(s) and Year	Country/Region	Halal Sector	Type of Investment/Financing	Outcome Variable(s) Examined	Reported Economic/Business Impact	Methodological Approach	Evidence Strength/Limitations
1	Muhamed, Ramli, Aziz, & Yaakub (2014)	Malaysia	General halal industry	Islamic banking and Islamic capital market support	Sectoral development potential; integration between halal industry and Islamic finance	Indicates that better integration between the halal industry and Islamic finance may strengthen long-term industry development and funding capacity	Conceptual/policy-oriented analysis	Strong on ecosystem logic, but limited direct firm-level or quantitative evidence of economic impact
2	Martín, Orden-Cruz, & Zergane (2020)	International/halal tourism context	Halal tourism	Islamic finance support for tourism product development	Sectoral development, specialization, and support for halal tourism growth	Suggests Islamic finance may contribute to the expansion and positioning of halal tourism services	Conceptual/literature-based sectoral analysis	Useful sector insight, but limited empirical testing of measurable economic outcomes
3	Utomo, Sekaryuni, Widarjono, Tohirin, & Sudarsono (2021)	Indonesia	Broad halal industry	Islamic financial products and Islamic financial ecosystem	Intention to use Islamic finance; halal industry performance	Finds that intention to use Islamic financial products has a positive impact on halal industry performance, supported by awareness, literacy, and ecosystem factors	Empirical quantitative study	Stronger than conceptual papers in linking finance to performance, but performance effects are mediated by behavioral and ecosystem variables
4	Abdullah & Oseni (2017)	Malaysia	Halal SMEs/start-ups	Shariah-compliant equity crowdfunding	Access to capital; SME sustainability and growth potential	Shows crowdfunding can improve financing access for halal SMEs and support sustainable business development	Conceptual/regulatory analysis	Strong relevance to SME financing, but evidence is more prospective than outcome-based
5	Smolo, Šeho, & Kabir Hassan (2020)	Bosnia and Herzegovina	Halal industry/microenterprise context	Islamic banking and Islamic microfinance	Industry development, market support, inclusion potential	Indicates Islamic banking can act as a developmental driver for halal industry expansion, while microfinance may broaden participation	Mixed conceptual and contextual analysis	Highlights growth potential in emerging markets, but limited formal measurement of business performance

No.	Author(s) and Year	Country/Region	Halal Sector	Type of Investment/Financing	Outcome Variable(s) Examined	Reported Economic/Business Impact	Methodological Approach	Evidence Strength/Limitations
6	Mas'ud & Muwazir (2025)	Indonesia	Halal sector broadly	Sharia-compliant financing backed by legal-regulatory support	Innovation, quality enhancement, inclusive access to capital, competitiveness	Argues that Sharia-compliant financing helps improve business innovation, product quality, and inclusive competitiveness in the halal sector	Normative legal and policy analysis	Important for interpreting economic impact through institutional design, but still lacks direct impact metrics
7	Zaib et al. (2025)	Malaysia	Halal food entrepreneurship	Islamic financing adoption	Entrepreneurial financing uptake and business support potential	Implies that greater awareness and stronger religious and perceptual drivers can increase use of Islamic financing, which may support enterprise growth	Empirical behavioral study	Good for understanding financing adoption, but indirect in measuring downstream business outcomes
8	Nurein (2023)	Conceptual/broader halal entrepreneurship setting	Halal entrepreneurship/ecosystem	Islamic finance as part of halal entrepreneurial support	Access to capital, product development, branding, market integration, ecosystem strengthening	Suggests Islamic finance supports entrepreneurship through capital access, branding opportunities, product development, and market linkage	Conceptual synthesis	Broad contribution to understanding business outcomes, but lacks comparative empirical measurement
9	Akbar, Kurniawan, Dakhoir, & Fahmi (2024)	Indonesia	Halal cosmetics industry	Islamic banking financing and institutional support	Sectoral growth, education, mentoring, standardization	Shows Islamic banking may promote halal cosmetics growth through financing combined with mentoring and educational support	Sector-focused qualitative/conceptual analysis	Valuable sector-specific evidence, but outcome indicators are not measured with rigorous quantitative metrics
10	Aisyah, Pratikto, Wardoyo, & Restuningdiah (2024)	Indonesia (Malang Raya)	Halal MSMEs in food and beverage	Islamic financial inclusion enabled by literacy	MSME performance	Finds that Islamic financial inclusion significantly improves MSME performance, with literacy as an important driver	Empirical quantitative study	One of the stronger outcome-oriented studies, though geographically and sectorally limited
11	Mahfudz, Umam, & Ihsan (2026)	Indonesia	Halal investment/crowdfunding ecosystem	Shariah security crowdfunding	Investment growth, innovative financing capacity	Suggests Shariah crowdfunding can stimulate investment activity and broaden financing alternatives for halal-oriented ventures	Industry and strategy-oriented analysis	Relevant for future investment pathways, but evidence on realized business impact remains limited
12	Antara, Musa, & Hassan (2017)	Malaysia	Halal SME-related financing literacy context	Knowledge of Islamic financing instruments	Financing readiness and decision quality	Indicates that better literacy can improve financing decisions and support more effective use of Islamic financial products for business activity	Empirical survey-based study	Indirectly linked to economic performance; stronger on readiness than realized impact

Source: Processed by Author, (2026)

Institutional, regulatory, and governance pathways

The findings synthesized in Table 3 show that institutional, regulatory, and governance arrangements are not peripheral background conditions in the Islamic finance–halal industry relationship but central explanatory mechanisms that shape whether integration occurs at all. Across the 12 studies included in the table, the most consistent message is that the effectiveness of Islamic finance in supporting halal industry development depends heavily on the coherence of governance structures, quality of regulation, strength of certification systems, and degree of coordination among multiple institutional actors.

The findings suggest that existing theories in Islamic finance, particularly those related to financial intermediation and Shariah-compliant investment, remain relevant but require refinement in the context of the real economies. The convergence of Islamic finance and the halal industry highlights the need for new theoretical frameworks that integrate financial intermediation with sector-specific governance and ethical considerations beyond capital provision.

Current models, including Maqasid al-Shariah, provide a foundation but must be adapted to the practical realities of the halal industry, such as market integration, financial inclusion, and regulatory coordination. While Maqasid al-Shariah principles are crucial for ethical finance, their application needs revision in light of modern economic dynamics, as the halal industry operates as a global, multifaceted sector that requires coordinated financial and regulatory efforts.

The proposed development pathways are derived from the synthesized data, showing that effective governance, strong regulatory frameworks, and better institutional collaboration are key to integrating Islamic finance into halal business models. Aligning regulatory bodies with Islamic financial institutions is vital for reducing fragmentation and ensuring market stability. Additionally, literacy and awareness programs, along with coherent governance, are essential to improve halal businesses' access to Islamic finance.

The literature emphasizes that regulatory harmonization and the development of Shariah-compliant digital platforms are crucial for bridging the gaps between traditional financing and emerging technologies in the halal sector. These pathways are grounded in the reviewed studies, which highlight the importance of institutional coordination and innovation in overcoming existing challenges in the halal finance ecosystem.

This pattern closely supports the arguments developed, where the halal industry is framed not merely as a sectoral collection of products and services, but as a broader halal ecosystem requiring aligned institutions, standards, and financing structures (Akbar et al., 2024; Martín et al., 2020; Mas'ud & Muwazir, 2025; Utomo et al., 2021).

A first quantitative pattern emerging from Table 3 is the strong geographical concentration of the governance literature. Of the 12 studies, 6 are based in Indonesia, 3 in Malaysia, 1 in Bosnia and Herzegovina, 1 in a cross-border conceptual entrepreneurship setting, and 1 in an international halal tourism context. This means that 9 of the 12 studies, or 75 percent, are concentrated in Indonesia and Malaysia. Such a distribution is highly revealing. It suggests that the institutional and governance dimension of Islamic finance–halal industry integration is most visible in countries where halal certification regimes, Islamic financial institutions, and state-backed regulatory architectures are relatively developed. At the same time, it also implies that the literature remains geographically narrow, leaving underexplored how governance-driven integration may operate in less institutionalized or non-Muslim-majority settings (Abdullah & Oseni, 2017; Aisyah et al., 2024; Akbar et al., 2024; Antara et al., 2017; Mahfudz et al., 2026; Martín et al., 2020; Mas'ud & Muwazir, 2025; Muhamed et al., 2014; Nurein, 2023; Smolo et al., 2020; Utomo et al., 2021; Zaib et al., 2025).

Another pattern is the breadth of the governance concerns covered. Across the studies, these include integration between halal authority structures and Islamic finance governance, crowdfunding regulation, stakeholder road maps, legal support for Islamic banking, cross-border entrepreneurial governance, digital crowdfunding governance, institutional accessibility, trust, tourism policy support and literacy infrastructure. This shows that governance is not treated as a single state function but as a layered architecture of rules, actors, and coordination processes (Ahmed, 2024; Akbar et al., 2024; Mas'ud & Muwazir, 2025; Santosa et al., 2025).

Multi-actor governance is also prominent in this study. Every study identifies more than one institutional actor, and at least eight explicitly describe multi-stakeholder coordination as necessary for effective halal finance integration. Regulators, Islamic financial institutions, certification bodies, businesses, educators, technology platforms, and community actors are repeatedly identified as key stakeholders. This indicates that governance effectiveness depends not on isolated institutions but on coordination within a shared halal ecosystem (Akbar et al., 2024; Martín et al., 2020; Nurein, 2023; Utomo et al., 2021).

The literature also treats regulation as an enabling mechanism rather than merely a legal constraint. In all 12 studies, regulation shapes business access to Islamic finance, halal standards'

credibility, and financial instruments’ scalability. However, governance-related constraints are equally recurrent. All studies reported at least one limitation, with the most common being fragmented governance, weak legal frameworks, regulatory overlap, insufficient harmonization, low awareness, weak enforcement, and uneven institutional access. At least eight of the 12 studies identified fragmentation or weak coordination as a central problem, while at least five mentioned literacy, awareness, or legitimacy deficits (Antara et al., 2017; Mahfudz et al., 2026; Martín et al., 2020; Mas’ud & Muwazir, 2025; Muhamed et al., 2014; Nurein, 2023; Smolo et al., 2020; Zaib et al., 2025).

Overall, Table 3 indicates that governance is one of the most decisive pathways linking Islamic finance to halal industry development. Islamic finance becomes developmentally effective not when products merely exist but when they are embedded in a coherent institutional architecture involving regulation, certification, literacy, trust, and stakeholder collaboration.

Table 3. Governance, regulatory frameworks, and institutional drivers in halal industry development

No.	Author(s) and Year	Country/Insti-tutional Context	Regulatory or Governance Focus	Key Institutional Actors	Mechanism of Influence on Halal Industry	Reported Challenges	Policy Recommendations	Relevance to Ecosystem Development
1	Muhamed, Ramli, Aziz, & Yaakub (2014)	Malaysia; national halal and finance governance environment	Integration between halal authority structures and Islamic finance governance	Halal authority bodies, Islamic financial institutions, regulators, industry stakeholders	Institutional alignment can connect halal industry expansion with long-term Shariah-compliant funding and coherent ecosystem support	Authority bodies emphasize different halal dimensions; fragmented governance reduces integration effectiveness	Strengthen harmonization across halal governance bodies and Islamic finance institutions	Demonstrates that institutional coordination is foundational for building an integrated halal-Islamic finance ecosystem
2	Abdullah & Oseni (2017)	Malaysia; crowdfunding regulatory environment	Regulatory readiness for Shariah-compliant equity crowdfunding for halal SMEs	Securities regulators, Shariah advisers, crowdfunding platforms, halal SMEs	A dedicated regulatory framework can enable alternative financing access for halal enterprises and improve trust in funding mechanisms	Existing rules do not specifically define a halal-oriented Shariah crowdfunding model; governance ambiguity remains	Develop clearer regulatory guidelines and governance standards for halal-focused Shariah crowdfunding	Shows that fintech-enabled halal finance depends heavily on institutional clarity and governance design
3	Utomo, Sekaryuni, Widarjono, Tohirin, & Sudarsono (2021)	Indonesia; halal industry ecosystem	Stakeholder road map and institutional ecosystem supporting Islamic finance adoption	Government, Islamic financial institutions, academics, halal business actors, community stakeholders	Ecosystem coordination increases awareness, literacy, and financing adoption, thereby supporting halal industry performance	High pricing, weak service quality, low technological development, and product issues reduce effectiveness	Build stronger multi-stakeholder collaboration to improve Islamic finance accessibility and ecosystem quality	Highlights ecosystem governance as a practical bridge between Islamic finance supply and halal business demand
4	Smolo, Šeho, & Kabir Hassan (2020)	Bosnia and Herzegovina; emerging halal market	Legal and institutional support for Islamic banking and halal industry expansion	Government, regulators, Islamic banks, halal industry actors	Supportive legal-regulatory structures can help Islamic banking contribute more effectively to halal market development	Weak legal framework, low awareness, low demand, and limited government support hamper integration	Improve legal support, public awareness, and policy commitment to facilitate halal industry growth	Shows that institutional weakness can prevent Islamic finance from functioning as a development enabler in emerging markets
5	Mas’ud & Muwazir (2025)	Indonesia; legal-regulatory framework for halal sector financing	Role of laws and regulations in enabling Sharia-compliant financing for halal industry innovation	Legislators, regulators, Islamic financial institutions, halal businesses	Legal certainty helps improve access to capital, product quality, innovation, and competitiveness in halal sectors	Regulatory overlap, disharmony, weak enforcement, and fragmented implementation	Harmonize regulations and strengthen enforcement to improve the effectiveness of Sharia-compliant financing	Establishes regulation as a core pathway through which finance can influence halal industry upgrading
6	Akbar, Kurniawan, Dakhoir, & Fahmi (2024)	Indonesia; halal cosmetics ecosystem	Institutional synergy between Islamic banking, regulation, and sectoral standardization	Islamic banks, regulators, halal certification bodies, halal cosmetics businesses	Coordination among banks and supporting institutions helps finance, mentor, educate, and standardize halal cosmetics firms	Regulatory optimization and stronger institutional synergy are still required	Reinforce inter-institutional collaboration and sector-specific halal finance support systems	Indicates that sectoral growth depends on governance structures that combine finance with supervision and capacity building
7	Nurein (2023)	Cross-border/conceptual halal entrepreneurship setting	Governance and cross-border institutional support in halal entrepreneurial ecosystems	Policymakers, financial institutions, halal certifiers, entrepreneurial support organizations	Institutional support can connect capital access, product development, branding, and market integration for halal entrepreneurs	Fragmented regulatory frameworks and limited awareness reduce ecosystem effectiveness	Improve cross-border coordination and strengthen ecosystem-wide support mechanisms	Highlights the role of governance in scaling halal entrepreneurship beyond isolated local markets

No.	Author(s) and Year	Country/Institutional Context	Regulatory or Governance Focus	Key Institutional Actors	Mechanism of Influence on Halal Industry	Reported Challenges	Policy Recommendations	Relevance to Ecosystem Development
8	Mahfudz, Umam, & Ihsan (2026)	Indonesia; Shariah crowdfunding and investment governance context	Governance, compliance, and risk management in Shariah security crowdfunding	Regulators, crowdfunding platforms, investors, Shariah governance actors	Good governance and compliance systems can expand trust and strengthen crowdfunding as a halal investment channel	Competition, sluggish investment growth, and governance-related constraints may limit expansion	Strengthen governance quality, compliance mechanisms, and innovation strategy in halal-oriented crowdfunding	Shows that digital halal investment channels require robust governance to become scalable ecosystem components
9	Aisyah, Pratikto, Wardoyo, & Restuningdiah (2024)	Indonesia (Malang Raya); local halal MSME financing environment	Islamic financial inclusion supported by literacy and institutional accessibility	Islamic financial institutions, educators, MSMEs, local support actors	Better institutional accessibility and literacy can improve inclusion and business performance for halal MSMEs	Regional scope is limited; uneven access and institutional reach remain concerns	Expand institutional outreach and strengthen literacy programs to improve halal MSME inclusion	Demonstrates that inclusion-oriented institutions matter for linking halal MSMEs with Islamic finance
10	Zaib et al. (2025)	Malaysia; halal food entrepreneur setting	Behavioral and institutional conditions influencing adoption of Islamic financing	Entrepreneurs, Islamic financial providers, social and religious institutions	Institutional trust and supportive financing environments shape entrepreneurs' willingness to adopt Islamic finance	Limited scope to halal food entrepreneurs; broader institutional comparisons are absent	Strengthen awareness-building and institutional engagement with halal entrepreneurs	Suggests that governance effectiveness also depends on user-side trust and institutional legitimacy
11	Martín, Orden-Cruz, & Zergane (2020)	Halal tourism/international context	Sectoral policy and institutional support for financing halal tourism	Tourism institutions, Islamic finance actors, destination planners, sector stakeholders	Institutional support can help Islamic finance contribute to tourism product development and sectoral positioning	Empirical and policy integration remains underdeveloped in halal tourism literature	Build more explicit policy and institutional linkages between Islamic finance and halal tourism development	Extends the institutional debate beyond manufacturing and SMEs into service-sector halal development
12	Antara, Musa, & Hassan (2017)	Malaysia; halal SME financing literacy context	Financial literacy as an institutional enabler of effective financing use	Educational institutions, Islamic financial institutions, halal SMEs	Literacy-support systems influence the capacity of firms to identify and use suitable Islamic financing instruments	Literacy remains uneven, constraining informed financing behavior	Strengthen structured literacy and training interventions for halal-oriented SMEs	Shows that institutional support includes not only regulation but also knowledge infrastructures that enable financing uptake

Source: Processed by Author, (2026)

The synthesis of findings across [Tables 1](#), [Table 2](#) and [Table 3](#) reveals several consistent patterns regarding the role of Islamic finance in halal industry development. The main contribution of this review is not merely to confirm that Islamic finance supports halal industry development, but to show that such support is conditional and ecosystem-dependent. Previous studies often examined Islamic banking, halal certification, financial literacy, crowdfunding, or halal entrepreneurship separately. This review integrates these fragmented streams and demonstrates that Islamic finance becomes developmentally effective only when financial instruments are embedded in coherent governance, certification, literacy, and stakeholder coordination mechanisms. First, the literature shows that Islamic financial instruments function not merely as sources of capital but as components of a broader halal ecosystem linking finance, governance, certification, and market expansion. Instruments such as Islamic banking, Sukuk, crowdfunding, and fintech-enabled financing support halal business development by facilitating value-chain diffusion, improving access to capital, and strengthening sectoral competitiveness ([Akbar et al., 2024](#); [Martín et al., 2020](#); [Mas'ud & Muwazir, 2025](#); [Utomo et al., 2021](#); [Wiwoho et al., 2024](#)). Their developmental impact is strongest where regulatory coherence and financial literacy are present; where fragmentation, weak governance, and limited awareness persist, diffusion remains uneven ([Aisyah et al., 2024](#); [Mahfudz et al., 2026](#); [Martín et al., 2020](#)).

Second, the literature increasingly interprets halal industry growth from an ecosystem perspective rather than a purely financial one. The development pathways identified in the reviewed studies emphasize the integration of financing with certification systems, institutional governance, innovation capacity, and inclusive financial access for SMEs. This perspective aligns with institutional, stakeholder, and financial intermediation approaches, all of which suggest that Islamic finance matters most when embedded in coordinated networks of regulators, certification bodies, financial institutions, and industry actors ([Aminy & Mas'ud, 2023](#); [Utomo et al., 2021](#)).

When aligned with the three review themes, the evidence becomes more clear. The information in [Table 1](#) shows that the literature on Islamic financial instruments extends beyond conventional banking to include Sukuk, crowdfunding, microfinance, literacy-supported inclusion, and regulatory financing support. However, the key insight is that instruments do not work independently; their usefulness depends on whether halal firms understand, can access, and trust

them. The information in [Table 2](#) demonstrates that the economic value of these instruments is real but unevenly evidenced. Studies consistently associate Islamic finance with improved capital access, SME sustainability, innovation, competitiveness, and market expansion. However, much of this evidence remains indirect and mediated by literacy, awareness, regulation, and institutional support. [Table 3](#) clarifies why this mediation occurs: governance, certification, and institutional coherence determine whether Islamic finance becomes a practical development pathway or remains an underused formal option.

These themes point to an explicit theoretical contribution: the relationship between Islamic finance and halal industry development is best understood through an integrated halal-ecosystem framework. In this framework, Islamic finance is not merely an input into halal business growth but is one of the institutional mechanisms through which halal ecosystems are coordinated, legitimized, and scaled. This extends complementarity theory by showing that finance–industry reinforcement is conditional on governance quality, stakeholder alignment, and knowledge infrastructure. It also extends institutional and entrepreneurial development perspectives by demonstrating that regulation, certification, literacy, and capability are necessary for translating financial availability into actual halal business upgrading.

Several gaps remain. Theoretically, the literature rarely integrates complementarity, institutionalist, functionalist, and entrepreneurial development perspectives into a unified model. Methodologically, most studies are cross-sectional or conceptual, leaving causal and longitudinal evidence scarce ([Harahap et al., 2023](#); [Imani et al., 2022](#)). Sectorally, attention remains uneven, with stronger coverage of halal food and SMEs than cosmetics, pharmaceuticals, logistics, tourism, and fintech-enabled halal investment. Geographically, the literature is heavily concentrated in Indonesia and Malaysia, limiting its generalizability to other regulatory settings ([Mas'ud & Muwazir, 2025](#); [Wiwoho et al., 2024](#)). Overall, Islamic finance contributes most effectively to halal industry development when embedded in an integrated ecosystem that combines governance legitimacy, financing access, market coordination, and knowledge-based capability building.

Conclusion

This systematic literature review examines the role of Islamic finance in supporting halal industry development by synthesizing evidence on financing instruments, economic impacts, and strategic development pathways. The review highlights that Islamic finance contributes to halal industry growth not only through the provision of Shariah-compliant funding, but also by strengthening governance structures, improving halal certification systems, expanding financial inclusion, and encouraging financing innovation. The literature further demonstrates that Islamic banking, Sukuk, crowdfunding, and fintech platforms can enhance halal business expansion by improving access to capital, strengthening halal value chains, and supporting greater participation of small and medium enterprises (SMEs). However, the effectiveness of these instruments depends heavily on regulatory coherence, strong Shariah governance, adequate financial literacy, and effective collaboration among stakeholders, as reflected in countries with more mature halal ecosystems such as Indonesia and Malaysia.

Based on these findings, several practical recommendations can be proposed for regulators and industry stakeholders. Regulators, including central banks and halal certification authorities, need to harmonize regulatory frameworks to better integrate Shariah-compliant financial instruments into halal supply chains through clear financing guidelines, stronger legal support for Islamic financial products, and improved institutional coordination between financial and halal regulatory bodies. At the industry level, halal businesses and financial institutions should prioritize improving financial literacy among SMEs to enhance understanding and utilization of Islamic financial instruments. They should also work toward building a more inclusive financial ecosystem that broadens access to capital through Islamic banking, Sukuk, and crowdfunding, while fostering strategic partnerships that ensure halal products remain Shariah-compliant and competitively positioned through innovative financing models.

Despite these contributions, the review identifies several important gaps in the existing literature. Conceptually, there remains a need for a more integrated framework that connects

financial intermediation, institutional development, halal ecosystem strengthening, and entrepreneurial dynamics. Methodologically, much of the current literature relies on cross-sectional or qualitative approaches, limiting robust causal inference regarding the impact of Islamic finance on halal industry performance. Furthermore, existing studies are geographically and sectorally concentrated, with a predominant focus on food industries, SMEs, and Southeast Asian contexts. Therefore, future research should develop more comprehensive ecosystem-based frameworks, expand cross-country comparative studies, improve the measurement of halal ecosystem development, and examine the role of digital Islamic finance, fintech innovation, and sustainable Islamic investment in advancing the global halal industry more systematically.

Acknowledgements

The authors would like to express their sincere gratitude to the institutions and individuals who provided support throughout this study, including access to academic resources, relevant literature and research facilities. We also extend our appreciation to the colleagues and reviewers who contributed valuable insights and feedback during the development of this article. Additionally, the authors acknowledge the use of artificial intelligence tools to assist in paraphrasing and proofreading of the manuscript, while retaining full responsibility for the accuracy, integrity, and originality of the content presented in this study.

Declaration of Generative AI and AI-Assisted Technologies in the Writing Process

During the preparation of this manuscript, the authors used generative artificial intelligence and AI-assisted tools, including ChatGPT and Grammarly, to support language translation from Bahasa Indonesia to English, improve grammar, enhance readability, and assist with proofreading. These tools were not used to generate research ideas, collect data, conduct analyses, interpret findings, draw conclusions, or replace the authors' scholarly judgment. All AI-assisted outputs were carefully reviewed, edited, verified and approved by the authors. The authors take full responsibility for the accuracy, originality, integrity, and final content of this manuscript.

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