


**FINANCIAL MANAGEMENT IN THE FRAMEWORK OF SHARIA:  
EXPLORING THE BASICS OF FINANCIAL MANAGEMENT  
BASED ON ISLAMIC TEACHINGS**

**Santi Nailul Izaty<sup>\*1</sup>, Tsania Umairo<sup>2</sup>, Sabita Khadiqoh<sup>3</sup>, Gunawan Aji<sup>4</sup> Rizky Andrean<sup>5</sup>**

<sup>1,2,3,4</sup> Universitas Islam Negeri K.H. Abdurrahman Wahid Pekalongan, Indonesia

<sup>5</sup> Universiti Utara Malaysia, Malaysia

Corresponding Author: [santi.nailul.izaty@mhs.uingusdur.ac.id](mailto:santi.nailul.izaty@mhs.uingusdur.ac.id)

<b>Info Article</b>	<b>Abstrack</b>
<p>Received : 10 Maret 2023 Revised : 07 April 2024 Accepted : 01 Mei 2024 Publication : 31 Mei 2024</p>	<p>Islamic financial management is a discipline that studies financial management according to Islamic sharia principles. This research is entitled Financial Management in the Framework of Sharia: Exploring the Basics of Financial Management Based on Islamic Teachings. This research aims to find out the Basics of Financial Management Based on Islamic Teachings within the framework of Sharia. This research uses a systematic literature review method to explore and analyze financial management in the framework of sharia by exploring the basics of financial management based on Islamic teachings. The results show that Islamic financial management focuses on the principles of justice, honesty, togetherness and compliance with Islamic law. The main principles include sharia compliance, maqashid sharia, prohibition of usury, justice, taawun, benefit, and balance. Its scope includes Islamic financial institutions such as banks, capital markets, insurance, and other financing institutions. Its functions include sharia-compliant funding, investment, and profit sharing/dividend decisions. Challenges include capitalization, product development, human resources, infrastructure, instrument variability, and the application of sharia principles. And Islamic financial management offers a more stable and sustainable approach by taking into account the spiritual and ethical aspects of financial management. However, with continuous innovation and consistent application of sharia principles, sharia financial management can contribute to creating a financial system that is more stable, sustainable and beneficial to the wider community</p>
<p><b>Keywords:</b> Sharia Financial Management, Sharia Principles, Sharia Financial, Institutions, Sharia Investment, Sharia Risk Management</p>	
<p><b>Licensed Under a</b> Creative Commons Attribution 4.0 International License</p> 	

## INTRODUCTION

Sharia financial management is a scientific discipline that studies how to manage finances in accordance with Islamic sharia principles. In this context, sharia financial management focuses on financial management that is based on the principles of justice, honesty and togetherness, as well as ensuring that financial activities do not violate the rules of Islamic sharia. Sharia financial management includes planning, analysis and financial control activities related to how to obtain funds, use funds and manage assets in accordance with the company's goals and objectives to achieve goals by paying attention to their conformity with sharia principles. The basic principles of sharia finance include the principles of sharia compliance (compliance with sharia signs), the principles of maqashid sharia (the ideals or goals of Islamic sharia), and the philosophical principles underlying sharia finance.

The scope of sharia financial management is very broad and includes several financial institutions, such as sharia commercial banks, sharia people's financing banks, capital markets, money markets, insurance companies, pension funds, venture capital companies, financing institutions, and micro sharia financial institutions. Bank financial institutions include sharia commercial banks and sharia people's financing banks, while non-bank financial institutions include capital markets, money markets, insurance companies, pension funds, venture capital companies, financing institutions and micro sharia financial institutions. The legal basis for sharia financial management can be classified into two legal bases, namely the legal basis based on juridical and the legal basis based on philosophy. The juridical legal basis includes regulations issued by the government and financial institutions, while the philosophical legal basis includes the sharia principles that underlie sharia finance (Faruq, 2021).

In the midst of increasing global economic uncertainty and recurring financial crises, Islamic financial management offers a more stable and sustainable approach. This system not only provides financial benefits, but also contributes to social welfare by supporting community-oriented development projects. Thus, implementing sharia financial management can be an effective solution to overcome contemporary economic challenges and create a fairer and more inclusive financial system.

In sharia financial management, several basic principles that must be heeded include the principle of sharia compliance (compliance with sharia signs), the principle of maqashid sharia (the ideals or goals of Islamic sharia), and the philosophical principles underlying sharia finance. Apart from that, sharia financial management must also pay

attention to the principles of justice, honesty and togetherness, and ensure that financial activities do not violate the rules of Islamic sharia.

This research aims to provide an in-depth understanding of the principles of Islamic financial management and their application in a modern context. Through comprehensive analysis, it is hoped that this research can explain how sharia principles can be applied in various aspects of finance and make a positive contribution to global economic stability. With a better understanding of sharia financial management, it is hoped that strategies and best practices can be found that are not only relevant to the Muslim community, but also benefit society at large.

Thus, sharia financial management is very important in the life of a Muslim, especially as a form of implementing religious sharia. In business financial management, sharia financial management is very important to monitor where and where the money will be used by the company being run and ensure that it applies sharia principles.

## **RESEARCH METHODOLOGY**

Systematic Literature Review (SLR) is a term used to describe the process of identification, evaluation, and interpretation in a way comprehensive to available research and relevant with formulation problem or medium topic studied (Al-Tabbaa, Ankrah, & Zahoor, 2019). SLR aims to give deep understanding and comprehensive about something phenomenon or problem through review systematic literature. In context study in this case, SLR is used to explore and analyze management finance in frame Sharia with draft dig basics management based finance with teachings Islam.

Through SLR approach, research this endeavor to give complete picture and deep about how management finance in frame dig basics management based finance with teachings Islam. The SLR research process consists from five stages mutually important related. Stage first is formulate problem study in a way clear and specific. Stage second involve search relevant literature with topic being researched. Stage third is do selection to results search literature that has obtained, with apply criteria quality that has set previously. Escaped literature evaluation quality then analyzed in a way deep on stage fourth. Lastly, on stage fifth, researchers make conclusion study based on results analysis literature that has done (Al-Tabbaa et al., 2019).

Through systematic SLR approach and structured this, research this expected can give significant contribution in enrich treasure knowledge about management finance in frame sharia based on teachings Islam. Results study this expected can become base

for development theory And practice management more finances comprehensive And applicative, as well give outlook new for para academics, practitioners, and maker policy in understand And apply principles management finance in frame Sharia.

## **RESULT AND DISCUSSION**

### **1. Understanding Sharia Financial Management**

The word management comes from the word management which comes from ancient French, which means the art of carrying out and managing. Management is also defined as a process of planning, organizing, coordinating and controlling resources to achieve targets (goals) effectively and efficiently (Rambe & Herlambang, 2021).

Management is an effort to provide guidance and direction through planning, coordination, integration, professional and proportional division of tasks, organization, control, and utilization of existing resources to achieve mutually agreed goals. In this sense, management can be considered as an art, which involves ways to guide and direct existing resources in order to achieve these goals (D, Purba, & Rangkuti, 2023).

Sharia financial management is an activity that involves planning, analysis and control of financial activities related to obtaining funds, using funds and managing assets in accordance with goals and targets to achieve goals by paying attention to conformity with sharia principles (Rochmi, Maulidiyah, Alkaf, Awaludin, Prastiwi, Hardiati, Nurarifah, Wulaningsih, Halim, Chandra, & Oktasari, 2024). Sharia financial management can be interpreted as the management of financial functions within an Islamic sharia frame relating to company financial matters.

In this context, sharia financial management meets sharia if:

1. Prioritize behavior related to the values of faith and monotheism.
2. Emphasize the existence of an organizational structure.
3. Discussing the system that is structured so that behavior in it runs well (Harahap, 2019) .

Sharia financial management can also be interpreted as a method or process of planning, organizing, coordinating and controlling funds to achieve goals in accordance with Islamic law (sharia principles). In principle, sharia financial management focuses on maximizing company value in accordance with sharia principles. The aim of sharia financial management is to maximize company and

shareholder profits by minimizing costs in order to obtain maximum decision making in the company's sustainability process. In a practical context, sharia financial management requires an organizational structure that is in accordance with sharia, such as the existence of a Sharia Supervisory Board which is tasked with supervising bank operations and products so that they comply with the provisions of Islamic sharia. Halal business and undertakings are also an absolute requirement for the business sector to be halal to be financed by Islamic banking. In synthesis, sharia financial management is a process that involves planning, organizing, coordinating and controlling funds to achieve goals in accordance with sharia principles, with a focus on maximizing company value and minimizing costs.

In the context of sharia finance, sharia financial management has an important role in ensuring compliance with sharia principles. This involves managing funds effectively and efficiently by paying attention to halal and justice aspects. Sharia financial management also aims to achieve a balance between profitability and social responsibility (Siti Aisyah Abdul Rahim & Rahman, 2020). Thus, Islamic financial management does not only focus on maximizing profits, but also considers the social and environmental impacts of every financial decision taken.

One important aspect of sharia financial management is risk management. Risk management in Islamic finance involves identifying, assessing and controlling risks in accordance with sharia principles. This includes credit risk, market risk, liquidity risk and operational risk (Hamzah, Rusby, & Hamzah, 2021). Effective risk management can help minimize losses and ensure long-term business sustainability. In this context, sharia financial management also emphasizes the importance of transparency and accountability in financial reporting.

In its implementation, sharia financial management involves various financial instruments that comply with sharia principles. These instruments include mudharabah (profit sharing), musyarakah (partnership), murabahah (buying and selling), ijarah (rental), and istishna (order) (Nurhayati & Wasilah, 2019). Each instrument has different characteristics and rules in accordance with sharia principles. Sharia financial management plays a role in selecting and managing appropriate financial instruments to achieve organizational goals while still complying with sharia principles.

Apart from that, sharia financial management also emphasizes the importance of zakat and alms as part of corporate social responsibility. Zakat is an obligation for

every Muslim who meets the requirements to pay part of his wealth to those entitled to receive it (Suprayitno, Aslam, & Harun, nd) . Almsgiving is a voluntary gift made to help those in need. Sharia financial management plays a role in calculating, collecting and distributing zakat and alms in accordance with sharia provisions. This reflects the organization's commitment to social responsibility and contributing to the welfare of society.

Sharia financial management also pays attention to ethical and moral aspects in every financial decision taken. This involves avoiding practices prohibited in sharia, such as *riba* (interest), *maysir* (gambling), and *gharar* (uncertainty) (Suharto, 2021). Sharia financial management seeks to ensure that every financial transaction and activity is carried out in a fair, transparent manner and in accordance with sharia principles. Thus, sharia financial management does not only focus on achieving profits, but also considers aspects of justice and compliance with sharia.

In its development, sharia financial management continues to experience innovation and growth. Technological developments and digitalization have opened up new opportunities in sharia financial management, such as the use of sharia fintech and digital platforms to facilitate sharia financial transactions (Alam, Gupta, & Zamani, 2022). This innovation aims to increase accessibility, efficiency and comfort in managing sharia finances. However, this innovation also needs to be balanced with compliance with sharia principles and appropriate risk management. Sharia financial management continues to develop and adapt to changing times, but still adheres to the basic principles of sharia in every aspect of financial management.

## **2. Principles of Sharia Financial Management**

The concept of the Islamic religion is to regulate human life as a whole, both in relationships with God (*Hablum minAllah*) and in relationships between humans (*Hablum minannas*). Currently, the Islamic business and financial industry is experiencing rapid development and the public is giving various positive responses. Sharia financial management based on Islamic principles is increasingly popular as an approach to financial management. These principles are the basis for various aspects of financial management, from income to investment. One of the main differences that makes Islamic finance unique compared to conventional finance is the application of Sharia principles. These principles are a manifestation of Islamic teachings whose sources come from the Al-Quran and Hadith which regulate various important aspects

of life, one of which is the financial aspect (Rochmi, Maulidiyah, Alkaf, Awaludin, Prastiwi, Hardiati, Nurarifah, Wulaningsih, Halim, Chandra , & Oktasar, 2024).

Sharia financial management has basic principles that are based on the Al-Quran, therefore Sharia financial management prioritizes the principles of monotheism, taawun, benefit, justice and the principle of balance. The principle of monotheism emphasizes the oneness of Allah SWT. Which is a form of *hablum minannas*, namely the principle of taawun which prioritizes the principle of mutual help. Meanwhile, the principle of justice places greater emphasis on the principle of being able to place something in the right position and place (Setiawan, 2021).

There are several principles that must be known, understood and implemented in sharia financial management, namely the principles taught in the Al-Quran which discusses Sharia financial management, including:

- a. Every transaction that occurs in trade must be based on mutual consent or mutual agreement between both parties so that no party feels disadvantaged or wronged.
- b. The principle of justice must be upheld, whether in measurements, scales, currency values (exchange rates), or distribution of profits.
- c. Application of compassion, mutual assistance and comprehensive brotherhood.
- d. Investment activities in trading businesses are prohibited, other things such as businesses that can damage mental and morals, then drug businesses and pornography must also be avoided. Apart from that, the goods traded must be halal and good products
- e. The principle of prohibiting usury and trade must avoid the practices of *gharar*, *tadlis* and *maysir*.
- f. You must not neglect the implementation of worship in trade (prayer and zakat) and you must always remember Allah.

The purpose of the basic framework of the sharia financial system in the principles of sharia finance is based on a set of rules and laws referred to as sharia, which regulate economic, social, political and cultural aspects in Islamic society. This system is based on principles that prohibit usury and considers money as "potential capital" which only becomes real capital when used together with other data sources for productivity activities. These principles also encourage various risks between fund providers and entrepreneurs, prohibit speculative behavior, emphasize the importance of the sanctity of contracts and disclosure of information, and only allow investment in assets that comply with sharia. The final principle is the principle of social justice,

which leads to injustice and exploitation to create a much fairer society (Huda & Nurhafili, 2023).

Sharia financial management principles are the basis for every economic and financial activity carried out by individuals and organizations. These principles do not only focus on material aspects, but also consider spiritual and ethical aspects. One of the main principles in sharia financial management is the prohibition of usury. Usury, which is often interpreted as interest, is considered an unfair and exploitative practice. Islam prohibits usury because it can cause injustice and economic inequality in society (Sari & Rofiah, 2022). As an alternative, sharia financial management encourages the use of a fairer and more equitable profit and loss sharing system.

Another principle that is no less important in sharia financial management is the principle of justice. Justice in this context includes justice in the distribution of wealth, justice in transactions, and justice in the relationships between parties involved in economic activities. Sharia financial management seeks to create balance and avoid exploitation and injustice in every aspect of finance (Siti Rohaya Rahim & Siswanto, 2023). This principle of justice is also closely related to the principles of transparency and accountability in financial management.

Apart from that, sharia financial management also emphasizes the principle of taawun or mutual assistance. This principle encourages individuals and organizations to help each other and share in achieving mutual prosperity. In a financial context, the principle of taawun can be realized through practices such as zakat, alms and waqf (Hakim & Rizki, 2021). Through these practices, wealth can be distributed more evenly and can help reduce social inequality in society.

The principle of benefit is also an important principle in sharia financial management. Benefits refer to efforts to achieve goodness and benefits for all parties involved in economic activities. Sharia financial management seeks to ensure that every financial decision and action taken provides greater benefits for society as a whole (Nurdany & Triyuwono, 2022). This principle of benefit is also related to the principle of sustainability, where sharia financial management considers the long-term impact of every financial decision taken.

The principle of balance is also an integral part of sharia financial management. Balance in this context includes a balance between spiritual and material aspects, a balance between individual and community interests, and a balance between risks and benefits (Firmansyah & Gunardi, 2021). Sharia financial management seeks to

achieve optimal balance in every financial aspect, by considering relevant factors holistically.

In its application, sharia financial management principles also emphasize the importance of ethics and morality in every financial activity. Sharia financial management does not only focus on achieving profits, but also considers halal aspects and compliance with sharia (Nurdany & Triyuwono, 2022). Every transaction and financial activity must be carried out in an honest, transparent manner and free from practices prohibited in Islam, such as fraud, speculation and manipulation.

Sharia financial management also encourages the use of financial resources effectively and efficiently. Financial resources are seen as a trust that must be managed well and used to achieve goals that are beneficial to society (Nasution & Nurzaman, 2020). Sharia financial management emphasizes the importance of thorough financial planning, adequate risk control, and ongoing monitoring and evaluation to ensure that financial resources are used optimally.

In its development, sharia financial management continues to experience innovation and adaptation to current developments. The emergence of innovative sharia financial products, such as sukuk (sharia bonds), takaful (sharia insurance), and sharia fintech, shows that sharia financial management can adapt to changes in technology and the needs of modern society (Sari & Bahari, 2023). However, this innovation must still be based on fundamental sharia principles and must not deviate from sharia provisions.

Overall, sharia financial management principles provide a strong foundation for fair, transparent and ethical financial management. These principles do not only focus on material aspects, but also consider spiritual and moral aspects in every financial activity. By consistently applying these principles, sharia financial management can contribute to creating a financial system that is more stable, sustainable and beneficial to society at large.

### **3. Scope of Sharia Financial Management**

Sharia financial management has a broad scope, covering various activities such as obtaining funds, investing, and using funds. In fund acquisition activities, sharia principles such as mudharabah, musyarakah, murabahah, salam, istishna, ijarah, and sharf must be considered and obeyed (Ismail, Zaenal, & Taufiq, 2019). Investments in sharia financial management must follow the principle that money is a medium of

exchange, not a traded commodity. This can be done through direct investment or through sharia financial institutions such as sharia banks and sharia mutual funds (Amir, Faisal, & Cahyono, 2021). The use of funds obtained must also be in accordance with sharia principles, including their use for recommended matters such as infaq, waqf and alms, as well as to fulfill obligations such as zakat (Rizki, Ascarya, & Rahmawati, 2022).

The main goal of Islamic financial management is to achieve harmony between Islamic financial principles and desired financial goals (Mahmoud, Noor, & Isa, 2020). Sharia financial management aims to achieve a balance between financial profits and social benefits based on Islamic values . In managing funds, sharia financial institutions must ensure that the funds managed are free from elements of usury, gharar and maysir, and follow sharia principles to maintain customer compliance and trust .

Investments in sharia financial management must also pay attention to halal and blessedness. Screening and selecting investment instruments that comply with sharia principles is important to maintain the integrity and compliance of sharia financial institutions . Developing sharia financial products and services that are innovative and in line with community needs, while remaining compliant with sharia principles, is a challenge in itself in sharia financial management.

Risk management is also a crucial aspect in sharia financial management. Sharia financial institutions must be able to identify, measure and manage risks well to maintain the stability and sustainability of their business (Nurul, Hadi, & Hakim, 2023). The implementation of good corporate governance also plays an important role in increasing transparency, accountability and stakeholder trust in Islamic financial institutions (Farhan, Alam, & Faturohman, 2024).

The sustainability aspect is becoming an increasingly important consideration in sharia financial management. Islamic financial institutions, as entities that operate based on sharia principles, have a responsibility not only in achieving financial profits, but also in making positive contributions to society and the environment. In this context, Islamic financial institutions are expected to play an important role in supporting the achievement of sustainable development goals (SDGs) set by the United Nations (UN).

One way for sharia financial institutions to contribute to achieving the SDGs is through responsible and environmentally friendly financing. Islamic financial

institutions can allocate funds to projects that have a positive impact on the environment, such as renewable energy projects, sustainable waste management, or projects that support natural resource conservation. By providing financing to projects like this, Islamic financial institutions can help in mitigating the impacts of climate change and preserving the environment for future generations.

In the context of Islamic financial institutions, there are several important aspects that need to be considered. Sharia banking financial institutions, which consist of sharia commercial banks and sharia people's financing banks, provide financial services in accordance with sharia principles. Islamic commercial banks focus on payment traffic, while Islamic people's financing banks serve small communities at the regional level based on sharia principles (Nurul et al., 2023).

Non-bank financial institutions also have an important role in the sharia economy. The sharia capital market is a meeting place between issuers and investors, with a focus on instruments such as shares and bonds that comply with sharia principles. The Islamic money market has also developed with instruments such as the Bank Indonesia Sharia Certificate (SBIS) and the Sharia Interbank Money Market (PUAS) (Farhan et al., 2024). The sharia insurance industry, sharia pension funds, and sharia venture capital are also part of non-bank financial institutions that operate in accordance with sharia principles (Siti, Nurzaman, & Beik, 2023).

Financing institutions, such as sharia leasing institutions, sharia factoring companies, sharia plastic cards, sharia consumer financing, and sharia pawnshops, also play a role in sharia financial management. They provide financing services that comply with sharia principles (Ismail et al., 2019).

Micro sharia financial institutions, such as zakat management institutions (BAZ and LAZ), waqf management institutions, and BMT (Balai Usaha Mandiri Terpadu or Baitul mal wat Tamwil), also have an important role in optimizing the distribution of zakat assets, utilizing waqf, and helping small entrepreneurs in developing productive businesses and investments in accordance with sharia principles (Maliah, Aziz, & Amiruddin, 2019).

Thus, the scope of sharia financial management is very broad and includes various activities and financial institutions that operate in accordance with sharia principles. The main objective is to achieve harmony between Islamic financial principles and desired financial goals, as well as providing financial services that are fair and in accordance with Islamic values. Sharia financial management seeks to

achieve a balance between financial profits and social benefits, by paying attention to aspects of sharia compliance, risk management, good governance and sustainability in every activity.

#### **4. Sharia Financial Management Functions**

Sharia financial management is a field that combines Islamic economic principles with modern financial practices. The main function of sharia financial management is to ensure that all financial transactions and activities comply with sharia law, which prohibits usury (interest), gharar (uncertainty), and maisir (speculation) (Hasan & Sholihin, 2022). Its main goal is to achieve economic prosperity and social justice, as well as promote stability and sustainability in the financial system. The function of sharia financial management includes funding decisions, investment decisions, and profit sharing or dividend decisions. Each decision must be oriented towards achieving company goals and ensuring that company value increases. Sharia financial management also involves risk management, cost management, and information management in accordance with sharia principles

##### **1) Funding Decisions.**

The company will not be able to operate without funds. This company's funds can be in the form of capital, debt or grants (Faruq, 2021). The funding decision function involves how the company obtains funds or capital. Financial managers must consider and analyze the combination of economic sources of funds for the company to finance its investment needs and business activities. In making funding decisions, management must ensure that there are no elements of riba (interest), gharar (uncertainty), or maisir (speculation) involved. In addition, funding decisions must reflect the values of fairness and fair sharing of risks between the parties involved. Through this approach, sharia financial management aims to achieve financial stability and economic sustainability, while still complying with Islamic law and ethics. Good funding decisions also consider social and environmental impacts, and contribute to the overall well-being of society.

##### **2) Investation decision.**

Investment is a form of investment in assets or capital which is carried out by an investor to obtain profit or profits. Investment is capital investment, usually in the long term to procure complete assets or purchase shares and other securities to

obtain profits (Nadila, Silfia, Hidayaty, & Mulyadi, 2023). Investment decisions are the responsibility of financial managers which involve determining the amount of funds to be allocated for investment. The right investment decisions can increase company profits and increase company value. This decision is very important because it determines the future of the company. Sharia financial managers must ensure that funds are invested in projects or assets that not only comply with sharia principles, but also have the potential to provide competitive and sustainable returns. This process involves an in-depth analysis of investment opportunities, including evaluation of risks, profit prospects, and their conformity with Islamic values. Investment instruments such as sukuk (sharia bonds), sharia mutual funds, and sharia shares are often used to achieve this goal. Financial managers must also ensure that these investments contribute to fair and inclusive economic development, and avoid illicit and unethical sectors. Thus, sound investment decisions will help organizations or individuals achieve their long-term financial goals, while remaining compliant with sharia law and ethics, as well as contributing to overall social and economic well-being.

### 3) Profit sharing or dividend decisions.

Dividend distribution is a decision made by company management based on several considerations, one of which is the amount of profit earned by the company. Dividend policy decisions are very important for companies because they have a direct influence on company investment and funding decisions (Khairi, 2023). Dividend distribution is carried out by paying attention to fairness and transparency, as well as ensuring that the profits generated by the company come from halal activities. Sharia financial managers must consider the balance between providing dividends to shareholders and retaining a portion of profits for reinvestment for sustainable company growth. This decision must be taken by considering the interests of all stakeholders, including minority shareholders, and ensuring that dividend distribution does not harm the company's financial stability. In addition, financial managers must ensure that dividend distribution is carried out proportionally according to the number of shares owned, without any discrimination. With this approach, dividend distribution decisions in sharia financial management not only comply with Islamic law and ethics, but also support justice and sustainable economic prosperity for all stakeholders. (Mardini, El-Halaby, & Qaseem, 2023).

## 5. Sharia Financial Management Challenges

Financial management based on Islamic sharia principles currently has a very important role in company activities. Success in managing company finances will support the company's overall operational success. The application of Islamic principles in financial management greatly contributes to the company's success, so that managing funds in accordance with the Al-Qur'an and Sunnah is a challenge in itself. A financial manager needs to understand the principles of sharia finance to be able to analyze the company's financial condition well and make the right decisions (Agustin, 2020).

Islamic financial institutions in Indonesia have faced various challenges in developing and maintaining this sector. Although the future of Islamic financial institutions looks promising with increasing public awareness of Islamic finance, there are still several obstacles that must be overcome. These challenges include capital problems, developing innovative sharia products, the quality of human resources which still needs to be improved, as well as limited infrastructure in the sharia economic and financial sectors. From a lack of in-depth understanding of sharia principles to difficulties in implementing appropriate financial structures, various parties need to be involved to overcome these challenges. Innovation remains a key factor for maintaining the relevance of Islamic finance (Irma Muzdalifa, Inayah Aulia Rahma, 2018) in (Kurnia, Parmitasari, & Abdullah, 2023).

Islamic financial institutions face various challenges that affect their operational dynamics. Complex regulations, inadequate infrastructure, lack of public understanding of sharia principles, and the need for specialized expertise are some of the main challenges that need to be overcome to ensure sustainable growth. The biggest challenge in implementing sharia accounting in sharia financial institutions is how to break away from the paradigm and mindset of conventional financial accounting which is capitalistic in nature. This is a major obstacle in implementing sharia principles and values in finance (Aditiya, Qolbi, Aiman, Widyawati, & Latifah, 2023).

Challenges in sharia financial risk management, especially related to the variability of sharia financial instruments and unique factors that influence sharia risk, require an approach that focuses on the economic characteristics of sharia (Darmawan,

2022). The following are some of the challenges in risk management faced by Islamic financial institutions:

a. Variability of Sharia Financial Instruments

Sharia financial instruments show diversity and dynamic development, giving rise to challenges in risk management. First, the complexity of the type of instrument. In sharia economics, there are various financial instruments with characteristics that are different from each other. For example, sukuk is a sharia debt instrument that allows issuers, both governments (in the form of state sukuk/SBSN [State Sharia Securities]) and private companies (in the form of corporate sukuk), to obtain funds (loans) from investors by providing favorable returns. in accordance with sharia principles.

Market volatility also poses an additional challenge in sharia economic risk management. For example, commodity price fluctuations often associated with Islamic investments can significantly affect portfolio value. The variability of Islamic financial instruments creates complexity in risk management. To face this challenge, Islamic financial institutions need to develop strategies that are able to understand and manage the risks inherent in various instruments, and are able to adapt to market and regulatory changes quickly and effectively.

b. Factors that Influence Sharia Financial Risk

In the context of Islamic finance, risk is not only related to market volatility and the characteristics of financial instruments, but is also influenced by sharia principles and the Islamic business environment. One of the main factors influencing sharia risk is compliance with sharia principles. Investment decisions, portfolio management and business activities must be in accordance with Islamic values. Islamic financial institutions that do not comply with these principles risk reputational damage and loss of trust from customers.

1) Interest-free financing (riba).

Islamic banks that provide financing to individuals or companies must ensure that the agreement does not involve interest elements.

2) Social responsibility.

Ethical factors and social responsibility play an important role in sharia risk management. LKS are expected to act ethically and consider the social impact of their business decisions. These factors influence the selection of investment projects, credit granting policies, and support for social initiatives.

### 3) Operational risk management.

Operational risks in Islamic finance include data management, information technology security, and operational sustainability. In the context of sharia, transparency and fairness in operational practices are essential, not only to reduce financial risks but also to ensure operational sustainability in accordance with sharia principles.

### 4) Human resource development (SDI).

The development of SDI that understands sharia principles and can manage risks with ethical awareness is very important. Special training and education is needed so that SDI at LKS can identify, measure and manage risks in accordance with sharia principles. LKS can organize special training for its personnel in sharia risk management, including an in-depth understanding of sharia principles, sharia risk management techniques, and ethical approaches in risk decision making (Mas'ut, Mustofa, Dianto, & Udin, 2020).

## CONCLUSION

Sharia financial management is a very important discipline in the life of a Muslim, especially in carrying out business and investment activities in accordance with Islamic sharia principles. Sharia financial management focuses on financial management that is based on the principles of justice, honesty and togetherness, as well as ensuring that financial activities do not violate the rules of Islamic law.

The main principles in sharia financial management include the principle of sharia compliance (compliance with sharia signs), the principle of maqashid sharia (the ideals or goals of Islamic sharia), the principle of the prohibition of usury, the principle of justice, the principle of taawun (mutual assistance), the principle of benefit, and the principle of balance. The application of these principles is the basis for every economic and financial activity carried out by individuals and organizations.

The scope of sharia financial management is very broad, covering various financial institutions such as sharia commercial banks, sharia people's financing banks, sharia capital markets, sharia money markets, sharia insurance companies, sharia pension funds, sharia venture capital, sharia financing institutions, and sharia financial institutions. micro. The main objective is to achieve harmony between Islamic financial principles and desired financial goals, as well as providing financial services that are fair and in accordance with Islamic values.

Sharia financial management faces several challenges, such as capital, development of innovative sharia products, quality of human resources, infrastructure limitations, variability of sharia financial instruments, factors that influence sharia risk, and the application of sharia principles in practice. However, with continuous innovation and consistent application of sharia principles, sharia financial management can contribute to creating a financial system that is more stable, sustainable and beneficial to the wider community.

## REFERENCES

- Abdullah, R. (2017). PERANAN PEMBIYAAAN MURABAHAH DALAM PENGEMBANGAN USAHA PADA PT BANK MUAMALAT. *Al-Urban*, 1(1), 52-67.
- Abdullah, R. (2021). EDUKASI LITERASI KEUANGAN PASAR MODAL SYARIAH PADA PENGURUS BADAN USAHA MILIK DESA DI KECAMATAN KOLESE KOTA BAUBAU. *Jurnal Abdidas*, 2(2), 323-328.
- Aditiya, Wahyu Faizal, Qolbi, Syahroini Wasifaul, Aiman, Aziq Nur, Widyawati, Widuri, & Latifah, Eny. (2023). PELUANG DAN TANTANGAN SYARIAH PADA LEMBAGA KEUANGAN SYARIAH. *ECOTECHNOPRENEUR : Journal Economics, Technology And Entrepreneur*, 2(01), 11–20. <https://doi.org/10.62668/ecotechnopreneur.v2i01.538>
- Agustin, Hamdi. (2020). MANAJEMEN KEUNGAN SYARIAH. *Warta LPM*, 23(2).
- Al-Tabbaa, Omar, Ankrah, Samuel, & Zahoor, Nabil. (2019). SYSTEMATIC LITERATURE REVIEW IN MANAGEMENT AND BUSINESS STUDIES: A CASE STUDY ON UNIVERSITY–INDUSTRY COLLABORATION. *SAGE Research Methods Cases*.
- Alam, Nafis, Gupta, Lokesh, & Zameni, Abdolhossein. (2022). FINTECH AND ISLAMIC FINANCE: DIGITALIZATION, DEVELOPMENT AND DISRUPTION. Palgrave Macmillan.
- Amir, Muhamad, Faisal, Faisal, & Cahyono, Eko Fajar. (2021). ANALISIS PENGELOLAAN DANA PADA BANK SYARIAH DI INDONESIA. *Jurnal Ilmiah Ekonomi Islam*, 7(1), 87–96.
- D, Hamidah., Purba, Sukarman, & Rangkuti, Irsan. (2023). STRATEGI MANAJEMEN PEMASARAN PENDIDIKAN DALAM MENINGKATKAN ANTUSIASME CALON PESERTA DIDIK BARU DI SEKOLAH MTSS NURUL ILMU DESA

- PANTAI GEMI KECAMATAN STABAT. *Jurnal Serunai Ilmu Pendidikan*, 9. Darmawan. (2022). *MANAJEMEN KEUANGAN SYARIAH*. CV Pustaka Setia, (July), 385.
- Farhan, Muhammad, Alam, Hendra Maulana, & Faturrohman, Tian. (2024). THE IMPACT OF CORPORATE GOVERNANCE ON ISLAMIC FINANCIAL INSTITUTION PERFORMANCE. *Journal of Islamic Accounting and Business Research*, 15(3), 432–448.
- Faruq, Umarul. (2021). *MANAJEMEN KEUANGAN SYARIAH* (Rudy Haryanto, ed.). Pamekasan: Duta Media Publishing.
- Firmansyah, Irman, & Gunardi, Ardi. (2021). THE ROLE OF ISLAMIC FINANCIAL INSTITUTIONS IN SUPPORTING ECONOMIC GROWTH: EVIDENCE FROM INDONESIA. *Journal of Islamic Monetary Economics and Finance*, 7(2), 277-296.
- Hakim, Rahmad, & Rizki, Muhammad. (2021). THE IMPACT OF ZAKAT, INFAQ, AND SADAQAH ON ECONOMIC GROWTH IN INDONESIA. *Journal of Islamic Economics and Business*, 4(1), 1-10.
- Hamzah, Muhammad Zilal, Rusby, Zulkifli, & Hamzah, Zulfadli. (2021). ANALYSIS OF RISK MANAGEMENT PRACTICES IN ISLAMIC BANKING: A CASE STUDY OF ISLAMIC BANKS IN INDONESIA. *Journal of Islamic Accounting and Business Research*, 12(5), 737–751.
- Harahap, Sunarji. (2017). *IMPLEMENTASI MANAJEMEN SYARIAH DALAM FUNGSI - FUNGSI MANAJEMEN*. At-Tawassuth, 2.
- Hasan, Nurul Ichsan, & Sholihin, Ahmad Ifham. (2022). RISK MANAGEMENT PRACTICES IN ISLAMIC BANKS: EVIDENCE FROM INDONESIA. *Journal of Islamic Accounting and Business Research*, 13(6), 895–912.
- Huda, Iqbal Maulana, & Nurhafili, Muhammad Shadiqy. (2023). *MANAJEMEN KEUANGAN SYARIAH: PEMAHAMAN MENDALAM TENTANG PRINSIP-PRINSIP KEUANGAN BERDASARKAN SYARIAH*. *Journal Islamic Education*, 1, 209–220.
- Irma Muzdalifa, Inayah Aulia Rahma, Bella Gita Novalia. (2018). PERAN FINTECH DALAM MENINGKATKAN KEUANGAN INKLUSIF PADA UMKM DI INDONESIA (PENDEKATAN KEUANGAN SYARIAH). *Jurnal Masharif Al- Syariah: Jurnal Ekonomi Dan Perbankan Syariah*, 3(1), h. 1-24.
- Ismail, Abdul Ghafar, Zaenal, Muhammad Hasif, & Taufiq, Ahmad Rizal. (2019).

- ISLAMIC FINANCIAL MANAGEMENT: A REVIEW OF LITERATURE AND FUTURE RESEARCH DIRECTIONS. *Journal of Islamic Monetary Economics and Finance*, 5(2), 375-398.
- Khairi, Himmatul. (2023). PENGARUH STRUKTUR MODAL DAN KINERJA KEUANGAN TERHADAP KEBIJAKAN DIVIDEN PADA PERUSAHAAN BERINDEKS SYARIAH. *Ad-Deenar: Jurnal Ekonomi Dan Bisnis Islam*, 7.
- Kurnia, Evi, Parmitasari, Rika Dwi Ayu, & Abdullah, Muhammad Wahyuddin. (2023). TINJAUAN MENDALAM TERHADAP DINAMIKA LEMBAGA KEUANGAN SYARIAH: MASA DEPAN, TANTANGAN, DAN INOVASI. *Jurnal Ekonomi, Manajemen Dan Akuntansi Sekolah Tinggi Ilmu Ekonomi Enam-Enam Kendari*, 1(5), 292–303.
- Mahmoud, Aishath, Noor, Noriza Mohd, & Isa, Noraini Mat. (2020). INNOVATION IN ISLAMIC FINANCIAL PRODUCTS AND SERVICES: A REVIEW AND FUTURE RESEARCH DIRECTIONS. *International Journal of Islamic and Middle Eastern Finance and Management*, 13(4), 639-658.
- Maliah, S., Aziz, R. A., & Amiruddin, R. (2019). SHARIAH COMPLIANCE IN SUSTAINABILITY REPORTING: A STUDY ON MALAYSIAN ISLAMIC BANKS. *Journal of Islamic Accounting and Business Research*, 10(4), 565–584. <https://doi.org/https://doi.org/10.1108/JIABR-04-2017-0046>
- Mardini, Ghazi Husein, El-Halaby, Samar, & Qaseem, an Israa. (2023). COST MANAGEMENT IN ISLAMIC BANKS: A BALANCED SCORECARD APPROACH. *International Journal of Islamic and Middle Eastern Finance and Management*, 16(2), 227–248.
- Mas'ut, Mas'ut, Mustofa, Moh. Saiful, Dianto, Alfin Yuli, & Udin, Mohamad Fuad. (2020). MODEL MANAJEMEN RESIKO PADA LEMBAGA KEUANGAN SYARIAH. *Airlangga International Journal of Islamic Economics and Finance*, 3(1), 31. <https://doi.org/10.20473/aijief.v3i1.19326>
- Nadila, Devina, Silfia, Hidayaty, Dwi Epty, & Mulyadi, Dedi. (2023). PEMAHAMAN INVESTASI, MOTIVASI INVESTASI DAN MINAT INVESTASI DI PASAR MODAL. *Jurnal Pijar Studi Manajemen Dan Bisnis*, 1.
- Nasution, Ade Iskandar, & Nurzaman, Mohamad Soleh. (2020). EFFICIENCY AND EFFECTIVENESS OF ISLAMIC FINANCIAL INSTITUTIONS: EVIDENCE FROM INDONESIA. *Journal of Islamic Banking and Finance*, 37(2), 41-54.
- Nurdany, Achmad, & Triyuwono, Iwan. (2022). SHARIA COMPLIANCE AND

- ETHICAL BEHAVIOR IN ISLAMIC FINANCIAL INSTITUTIONS: A CASE STUDY IN INDONESIA. *Journal of Islamic Accounting and Business Research*, 13(7).
- Nurhayati, Sri, & Wasilah. (2019). AKUNTANSI SYARIAH DI INDONESIA (Edisi 5) (Edisi 5).
- Nurul, Fida, Hadi, Syamsul, & Hakim, Lukman. (2023). ANALISIS MANAJEMEN RISIKO PADA LEMBAGA KEUANGAN SYARIAH DI INDONESIA. *Jurnal Manajemen Bisnis*.
- Pratiwi, E. T., Abdullah, R., & Abdullah, L. O. D. (2018). Training of Financial Management on Society Self-Helping Agency at Kelurahan Palabusa, Baubau City, Southeast of Sulawesi. *Seminar Nasional dan The 5th Call For Syariah Paper (SANCALL) 2018*.
- Rahim, Siti Aisyah Abdul, & Rahman, Azhar Abdul. (2020). THE ROLE OF ISLAMIC FINANCE IN ACHIEVING SUSTAINABLE DEVELOPMENT GOALS. *Journal of Islamic Accounting and Business Research*, 11(9), 2049–2064.
- Rahim, Siti Rohaya, & Siswantoro, Dodik. (2023). MEASURING THE PERFORMANCE OF ISLAMIC BANKS: A COMPARATIVE ANALYSIS BETWEEN INDONESIA AND MALAYSIA. *Journal of Islamic Finance*, 12(1), 37-51.
- Rambe, Ahmad Yahdil Fata, & Herlambang, Saifuddin. (2021). MANAJEMEN KEUANGAN SYARIAH. *Qus-Qazah*, 2.
- Rizki, Mufti, Ascarya, Ascarya, & Rahmawati, Siti. (2022). SHARIA-COMPLIANT INVESTMENT: PRINCIPLES AND PRACTICES. *Journal of Islamic Economics and Finance*, 8(3), 543–558.
- Rochmi, Alfi, Maulidiyah, Nailin Nikmatul, Alkaf, Ujang, Awaludin, Dipa Teruna, Prastiwi, Iin Emy, Hardiati, Neni, Nurarifah, Rina, Wulaningsih, Ririn Widyastuti, Halim, Hendra, Chandra, Ade, & Oktasar, Erita. (2024). MANAJEMEN KEUANGAN SYARIAH (KONSEPTUAL, LANDASAN DAN PRAKTIK).
- Rochmi, Alfi, Maulidiyah, Nailin Nikmatul, Alkaf, Ujang, Awaludin, Dipa Teruna, Prastiwi, Iin Emy, Hardiati, Neni, Nurarifah, Rita, Wulaningsih, Ririn Widyastuti, Halim, Hendra, Chandra, Ade, & Oktasari, Erita. (2024). MANAJEMEN KEUANGAN SYARIAH KONSEPTUAL, LANDASAN DAN PRAKTIK (Aas Masruroh, ed.). Penerbit Widina Media Utama.

- Sadali, A., Hermawan Adinugraha, H., & Shulthoni, M. . (2024). ISLAMIC ECONOMIC REVIEW OF CONSUMPTION: A SYSTEMATIC LITERATURE REVIEW APPROACH. *JIM : Journal Of International Management*, 3(01), 74–90. <https://doi.org/10.62668/jim.v3i01.1029>
- Sari, Mutiara, & Bahari, Zakaria. (2023). FINTECH AND ISLAMIC FINANCE: OPPORTUNITIES AND CHALLENGES. *Journal of Islamic Monetary Economics and Finance*, 9(1), 1–22.
- Sari, Mutiara, & Rofiah, Khairunnisa. (2022). RIBA IN ISLAMIC FINANCE: A REVIEW OF LITERATURE. *Journal of Islamic Banking and Finance*, 39(2), 75-88.
- Setiawan, Iwan. (2021). PRINSIP-PRINSIP DASAR MANAJEMEN KEUANGAN SYARIAH. *Jurnal Ilmu Akuntansi Dan Bisnis Syariah*, 3(2), 153–170.
- Siti, Nur'aini, Nurzaman, Mohamad Soleh, & Beik, Irfan Syauqi. (2023). PERAN LEMBAGA KEUANGAN SYARIAH DALAM MENDUKUNG PENCAPAIAN SDGs DI INDONESIA. *Jurnal Ekonomi Syariah Teori Dan Terapan*, 10(1), 155–168.
- Suharto, Udin. (2021). RIBA, MAYSIR, DAN GHARAR DALAM PERSPEKTIF EKONOMI ISLAM. *Jurnal Ilmiah Ekonomi Islam*, 7(1), 584-592.
- Suprayitno, Eko, Aslam, Mohamed, & Harun, Azhar. (2021). ZAKAT AND POVERTY ALLEVIATION: A COMPARATIVE STUDY IN MALAYSIA AND INDONESIA. *Journal of Islamic Monetary Economics and Finance*, 9(1), 29-50.