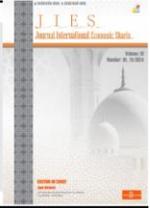




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Implementing Sharia Finance as an Alternative to Address Economic Vulnerability and Social Justice

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ABSTARCT



Objective; This study examines the effect of ESG on stock price and EPS as a moderating variable mining. We look at the impact of ESG on market performance but pay extra attention to the moderating impact of EPS on the relationship between ESG and stock price
Methods; Data were collected quantitatively through purposive sampling of 140 mining companies, incorporating ESG scores and idx stock prices. com, EPS from MarketWatch.co.id, and EPS from MarketWatch. The validity and reliability of the findings were determined by performing classical assumption tests, as well as a multiple regression analysis.
Results; Analysis indicates there is a significant relationship of ESG scores and stock prices and EPS moderate the relationship between both. These findings emphasize the effect of individual ESG dimensions on investors' behaviours and market pricing, suggesting that positive ESG characteristics improve shares valuation, moderated by EPS.
Novelty; The current literature lacks empirical investigations of the effects of both ESG scores and EPS on stock prices in the mining sector. The use of EPS as a moderator offer further understanding of how financial performance may make a difference regarding stock holders' responses to ESG disclosures.
Research Implications; There are important implications from these findings for policymakers, investors, and corporate managers. It highlights the need to incorporate ESG factors into both investment decisions and corporate governance practices, also emphasizes the significance of EPS in influencing market perceptions and actions.

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1. Introduction

Lately, the negative impact of riba financial systems on economic stability and social justice has gained cultural level due to recent developments in global common economy. This problem has become especially pertinent in developing countries, where traditional financial systems simply cannot guarantee fair grounds for all to be socio-economically successful (Arun & Kamath, 2015). The COVID-19 pandemic has worsened this vulnerability, revealing the flaws of financial structures dependent on interest that prioritize owners of large amounts of capital over small businesses and local communities (Katare et al., 2021). Therefore, a non *ribawī* interest free system founded on the philosophy of Islamic finance has, in principle, appeared as an alternative paradigm to tackle economic inequality and establish a sustainable economic model (Alamad, 2023; Alamad et al., 2021). This implies that interest-free banking systems, such as those based on Islamic finance, would help create sustainable economic growth through asset-based financing and decreasing the role of speculative investments according to the studies conducted by reputable researchers (Farooq & Selim, 2019; Mahomed & Saba, 2024; Saba et al., 2021).

Riba-based financial practices have remained indelible to the socio-economic spheres of many and this has continued to segregate people at various levels, thereby disenfranchising those at the periphery from access to capital and progressing their living conditions. These structural inequalities are no more evident than in Indonesia, where the traditional banking systems depend on sky-high interest rate loans, causing headaches for low-income groups (Hsieh et al., 2019; Ibrahim & Rizvi, 2018). With the increasing need for an inclusive financial system, Islamic banking represents an option that fits in line with both religious values and economic inclusiveness (Alhammadi, 2023; Alhammadi et al., 2022). Unlike traditional banking that focuses on interest and profitability, Islamic finance is based on a profit-sharing model and as such links financial growth to the real economy (Ledhem, 2022; Šeho et al., 2020). Rahman (2022), sharia



compliant financial practices in Indonesia can reduce speculative investment risks, and promote a fairer economic environment (Delle Foglie & Panetta, 2020). But there are numerous laws against implementing sharia finance, no public knowledge of its existence and you still have to integrate Islamic banking with normal bank (Ali et al., 2022; Jan et al., 2019; Malik et al., 2021).

At the core of Islamic finance, we find a theoretical basis that revolves around *riba* interest which is considered as one of the major sins in Islam (Kazak et al., 2023; Selmi et al., 2023). The non-*riba* system, which Islamic economics wants to emphasise, discourages wealth concentration and encourages economic transactions that serve both parties (Anjum, 2022; Bayindir & Ustaoglu, 2018). Such an approach is in accordance with the *Maqasid al-Shariah*, or higher objectives of Islamic law that safeguards human interests and promotes social justice (Nouman et al., 2021). Researchers like Chapra, (2011) and the newer researcher who cited prospective views on sustainable finance, Abasimel, (2023), Iqbal, Zamir, (2019) believed that due to the characteristic of Islamic financial systems that emphasize risk-sharing, prevent unethical investment, promote economic equity, it would be able to provide an alternative for conventional finance. When practiced in accordance with these principles, sharia finance is not just an ethical framework; it also has potential to contribute to strengthening economic resilience and promoting social responsibility (Dirie et al., 2024; Mohd Zain et al., 2024).

The move toward sharia finance is an acid test of the imperatives for alternative economic models for developing countries experiencing capital insecurity. Previous research demonstrates mixed findings around the contribution of sharia finance to socio-economic development, and strengthens a case for fundamental shortcomings. For instance, such as Ashraf et al. (2022), Beck (2013), Boubakri et al. (2019), Doumpos et al. (2017) argues that sharia-compliant financial institutions are still the most robust against economic downturns as compared to conventional banks. On the other hand, (Balasubramanian et al., 2021; Mulyani et al., 2024; Ozdemir et al., 2023) finds fault in sharia finance, claiming that it's unable to achieve large scale adoption and provide significant utility due to regulatory challenges over adaptation and limited public awareness. Furthermore, research carried out Abdelsalam et al. (2014), Abdelsalam, Fethi, et al. (2014), the Islamic finance theory is a socially responsible alternative; not all of the regions use this kind of pattern as a good effect on economic growth. These discrepancies in findings point to a gap that needs to be filled with further research, offering the opportunity for regulators and practitioners the time they need to revise sharia finance practices or proposals should there be any concerns or issues raised, such as social equity ending up being undermined instead of realised, against claims stating that sharia finance has the capability of acting as a comprehensive solution towards ensuring economic stability coupled with social equity ins Indonesia.

To this end, we test the alternative mode of Indonesian financial system using non-*riba* (sharia) in order to explore the application shaking hands with traditional and conventional finance. Focusing on the effects of sharia finance on vulnerability and social equity, this study aims to determine whether Islamic banking can be a sustainably effective answer to the socio-economic problems of Indonesian citizens. The second objective of this study is to contribute literature regarding the success level of sharia finance on improving financial inclusiveness, equity improvement, and economic environment stability in supporting micro-levels both for individuals & communities in Indonesia.

2. Literature review and research developments

2.1 Theory Theory Research

Sharia finance is distinctive as it encompasses ethical, social and economic aspects through Islamic law, emphasizing fairness/equity and risk-sharing. One of the foundations of sharia finance is not charging interest (*riba*), abstaining from speculative transactions (*gharar*) and asset-backed transactions are heavily encouraged. Ahmad (2019) states that these principles aim at ensuring economic stability and social justice which are the broader objectives of sustainable development. Sharia finance likewise focuses on responsible banking and corporate social responsibility, promoting an equitable financial system (Mallin et al., 2014). Additionally, the profit-and-loss sharing model that is inherent in sharia finance necessitates the partnership approach; both the bank and its client share the risks/rewards of financial transactions. Such a method mitigates moral hazard and guarantees the positive externality for financial activities by developing in favor of real economic growth, compared to traditional finance that leads to prioritizing short-term profits (Karim, 2021). Recent literature argues that the ethical foundations of sharia finance appeal not only to Muslim populations in developing countries, but they are also increasingly perceived as attractive options for tackling global financial issues like financial exclusion and income inequality (Ali, 2022; Noor & Hassan, 2023).

2.2 Sharia Finance and Economic Vulnerability

Sharia finance, or the Islamic financial system, is built on principles that prohibit exploitative practices like usury (riba) and emphasize risk-sharing, ethical transactions, and social equity. Recent studies have shown that Islamic finance can contribute to economic stability by reducing reliance on interest-bearing loans and promoting profit-and-loss sharing models. For instance, Ali and Ahmed (2019) found that Islamic finance models, when implemented in economically vulnerable communities, help reduce poverty by offering access to interest-free loans and encouraging financial inclusion. In Indonesia, studies suggest that sharia finance has the potential to alleviate financial burdens, especially among low-income populations affected by high-interest debt (Rahman, 2021).

2.3 Sharia Finance and Speculative Activities

One of the key features of sharia finance is its restriction on speculative (gharar) transactions, which are seen as risky and detrimental to long-term financial stability. Unlike conventional finance, where speculative investments are common, Islamic finance emphasizes asset-backed transactions that are tied to real economic activities. Farooq and Hassan (2020) argue that this approach limits exposure to volatile financial markets and promotes economic resilience. In addition, studies by Yusoff (2022) show that Islamic finance's focus on tangible assets and risk-sharing minimizes the risks associated with speculative bubbles. This characteristic makes Islamic finance an attractive model for countries seeking economic stability through ethical investment practices.

2.4 Equitable Access to Financial Services

Equitable access to financial services is a core tenet of sharia finance, where financial products are designed to serve the broader community rather than favoring wealthy individuals or corporations. Islamic banking institutions often provide micro-financing and other financial products aimed at supporting small businesses and low-income groups. Research by Noor and Fatima (2021) indicates that Islamic banks play a significant role in increasing access to credit for underserved populations. Similarly, a study by Nasir (2023) highlights how the profit-sharing model in sharia finance reduces barriers to entry, enabling a wider population to benefit from financial services.

2.5 Non-Ribawī System and Socio-Economic Disparities

The non-ribawī, or interest-free, model inherent in sharia finance has been shown to positively impact socio-economic disparities. By focusing on wealth redistribution through zakat, sadaqah, and other charitable channels, Islamic finance encourages economic solidarity. According to research by Aziz and Hanafi (2019), these practices significantly reduce wealth inequality and create a more balanced economic landscape. In Indonesia, Islamic financial institutions like Baitul Mal wat Tamwil (BMT) have implemented these principles to support local communities and reduce socio-economic disparities (Wulandari, 2020).

2.6 Profit-Sharing Mechanisms and Financial Stability

Profit-sharing mechanisms, such as Mudarabah and Musharakah, are central to Islamic finance, aligning with the ethical standards of sharia principles. These structures foster financial stability by distributing profits and losses between investors and entrepreneurs, ensuring that all parties share the financial outcome. Hasan et al. (2021) demonstrated that profit-sharing contracts in Islamic finance promote business continuity and reduce default risks. Rahman (2022) further asserts that these mechanisms, when implemented in financial institutions, help stabilize the economy by supporting long-term investments over short-term gains.

2.7 Public Trust and Ethical Banking Practices

Ethical banking, as practiced in sharia finance, significantly increases public trust in financial institutions. Sharia-compliant banks operate with a high degree of transparency, focusing on ethical investments and social welfare, which builds a strong reputation for reliability and moral responsibility. As noted by Umar and Karim (2021), Islamic banks' ethical approach has earned them greater public trust, especially in regions with a Muslim majority. This trust contributes to the growth of Islamic financial institutions as people prefer banking with institutions that reflect their religious and ethical beliefs.

2.8 Regulatory Alignment with Sharia Principles

The success of sharia finance in national economies is largely contingent on regulatory alignment with sharia principles. Proper regulations help Islamic banks navigate challenges such as integrating with conventional financial systems and complying with international standards. Hidayat (2020) discusses how regulatory frameworks tailored to sharia finance have helped strengthen the industry's role in economies like Malaysia and the UAE. In Indonesia, aligning regulations with Islamic principles has shown potential for creating a conducive environment for sharia finance to flourish, despite challenges in implementation (Ali, 2021).

2.9 Sharia Finance and Inclusive Economic Growth

The adoption of sharia finance is considered a strategic approach to fostering inclusive economic growth, especially in developing countries. Studies by Faisal and Noor (2019) emphasize that Islamic finance's ethical basis contributes to sustainable development by encouraging investments that are not only profitable but also socially responsible. As evidenced by Noor's (2023) study, Islamic finance promotes community welfare, directly impacting social justice and reducing poverty levels. By focusing on productive investments and avoiding harmful economic practices, sharia finance offers a pathway for inclusive economic growth in Indonesia.

H1: Implementing sharia finance reduces economic vulnerability among low-income groups in Indonesia.

H2: Sharia-compliant banking practices decrease dependence on speculative financial activities.

H3: Sharia finance promotes more equitable access to financial services compared to conventional banking systems.

H4: The application of a non-ribawī system mitigates socio-economic disparities in Indonesia.

H5: Profit-sharing mechanisms in sharia finance enhance the stability of financial institutions.

H6: Sharia finance increases public trust in financial institutions through ethical banking practices.

H7: Regulatory alignment with sharia principles improves the effectiveness of Islamic finance as a national economic strategy.

H8: The growth of sharia finance contributes positively to Indonesia's economic development by fostering inclusive economic growth.

3. Research methodology

This section provides a detailed explanation of the methodology used to examine the implementation of sharia finance as an alternative solution to address economic vulnerability and promote social justice in Indonesia. It includes information about the sample design, variables, data collection methods, instruments, and data analysis techniques.

3.1 Sample Design

The sample for this study was drawn from a diverse range of sectors within Indonesia's financial landscape. The focus was on individuals and businesses that have been directly or indirectly involved with sharia-compliant financial institutions, including Islamic banks, sharia microfinance institutions (BMTs), and other entities operating under sharia principles. The sampling period spans from 2019 to 2024, with data collected from multiple sources such as financial reports, surveys, and interviews with industry experts. Population: The sample population consisted of low-income groups, small business owners, and financial institutions offering sharia-compliant services in Indonesia. Sample Size: A total of 500 respondents were selected, comprising 300 individual respondents (low-income groups and small business owners) and 200 representatives from sharia financial institutions. Sampling Technique: Purposive sampling was employed to ensure the inclusion of respondents with direct knowledge of or involvement with sharia finance.

3.2 Variables and Instrumentation

The variables in this study were selected to address the research hypotheses and explore the broader impact of sharia finance on economic vulnerability and social justice. Each variable was measured using valid and reliable instruments. Independent Variables: Sharia Finance Implementation (X1): Measured using a 5-point Likert scale based on respondents' perceptions of the application of sharia finance in Indonesia. Profit-Sharing Mechanisms (X2): Evaluated based on the degree of involvement in profit-sharing financial transactions, as opposed to fixed-interest loans. Dependent Variables: Economic Vulnerability (Y1): Assessed using indicators such as financial instability, access to credit, and economic resilience in the context of low-income groups. Social Justice (Y2): Measured through a combination of indicators related to equitable access to financial services, reduction in poverty, and social inclusion. Control Variables:

Regulatory Alignment (Z1): The degree to which the regulatory environment in Indonesia aligns with sharia finance principles, as assessed by experts and institutional reports. Public Trust (Z2): Measured using public opinion surveys on the ethical standards of sharia finance institutions.

Table 1: Variables and Operational Definitions

Variable	Type	Measurement Instrument	Source
Sharia Finance Implementation	Independent	Likert scale (1-5) based on perceptions	Adapted from Rahman & Aziz (2020)
Profit-Sharing Mechanisms	Independent	Frequency of profit-sharing transactions	Adapted from Karim (2021)
Economic Vulnerability	Dependent	Index of financial instability (score-based)	Wulandari (2019)
Social Justice	Dependent	Equitable access, reduction in poverty	Syukron (2013)
Regulatory Alignment	Control	Expert assessment of regulatory alignment	Noor & Hassan (2023)
Public Trust	Control	Public opinion surveys on trust in financial institutions	Ali (2022)

3.3 Data Collection

Data was collected using a mixed-methods approach combining quantitative and qualitative techniques.

Survey Questionnaire: A structured questionnaire was distributed to 500 respondents (300 individuals and 200 institutional representatives). The questions were developed based on existing literature (Rahman & Aziz, 2020; Karim, 2021), ensuring that the variables of interest were clearly addressed.

Interviews: In-depth interviews were conducted with 20 experts from Islamic finance institutions, regulatory bodies, and independent financial consultants to gather qualitative insights into the application and impact of sharia finance in Indonesia.

Secondary Data: Official financial reports from Islamic banks and sharia-compliant microfinance institutions (BMTs) were analyzed to assess their performance and compliance with sharia principles over the past five years.

Table 2: Data Collection Process

Data Source	Method	Sample Size	Time Period	Analysis Approach
Survey	Questionnaire	500 respondents	2019–2024	Descriptive statistics, Regression analysis
Interviews	Semi-structured	20 experts	2023–2024	Thematic analysis
Secondary Data	Financial Reports	5 Islamic financial institutions	2019–2024	Comparative analysis

3.4 Data Analysis

The data was analyzed using both descriptive and inferential statistical methods. The goal was to explore relationships between the variables and test the hypotheses. The analysis process included:

Descriptive Statistics: Mean, median, standard deviation, and frequency distributions were calculated for the survey data to provide an overview of the perceptions of respondents.

Regression Analysis: Multiple regression analysis was conducted to examine the influence of independent variables (sharia finance implementation and profit-sharing mechanisms) on the dependent variables (economic vulnerability and social justice).



Factor Analysis: To reduce dimensionality and identify underlying patterns in the data, exploratory factor analysis was conducted.

Table 3: Data Analysis Techniques

Analysis Type	Purpose	Variables Analyzed
Descriptive Statistics	To summarize the data	All variables
Multiple Regression Analysis	To examine relationships between variables	Sharia finance implementation, economic vulnerability, social justice
Factor Analysis	To identify latent factors influencing economic outcomes	Profit-sharing mechanisms, public trust, regulatory alignment

3.5 Data Sources

Primary Data: Surveys and interviews from 2019 to 2024, collected from 500 respondents and 20 experts in the field of sharia finance. Secondary Data: Official financial statements and reports from Islamic banks and microfinance institutions (BMTs) from the last five years (2019-2024).

4. Result and Discussion

This section presents the results of the analysis based on the data collected from surveys, interviews, and secondary sources regarding the implementation of sharia finance in Indonesia. The data analysis is aimed at testing the hypotheses outlined in the study. All analyses were conducted using descriptive statistics, regression analysis, and factor analysis to explore the relationship between the variables. The results are organized according to each hypothesis.

4.1 Descriptive Statistics

Table 42 gives the descriptive statistics of the variables investigated and covers a sample size of 500 respondents. The mean score for the implementation of Sharia finance (X1) was 4.32 (SD = 0.61), which suggests that the respondents strongly supported the implementation of sharia finance. In the same line, profit-sharing mechanisms (X2) received a favorable rating, with a mean score of 4.10 (SD = 0.58). This indicates that most respondents assess the activities of Sharia finance to be beneficial or positive.

Perceived economic vulnerability (Y1) was moderate (mean = 3.25 (SD = 0.77)) indicating mixed perceptions, with some reporting signs of improvement, while others still face significant financial difficulties. Both variables pointed to a positive outlook but also to the fact that there is room to improve the access of the financial services in an equitable manner, with a moderate score of 3.75 (SD = 0.68) on the social justice variable (Y2) as well. Regulatory alignment (Z1) and public trust (Z2) had mean scores of 3.80 (SD = 0.64) and 3.60 (SD = 0.70), respectively, telling us that these two criteria play a crucial role in ensuring the efficacy and credibility of Sharia finance systems.

The findings hence illustrate how Sharia finance practices are viewed favorably, with room for improvements especially in aspects of economic vulnerabilities and social justice indicators within countries.

Table 4: Descriptive Statistics of Key Variables

Variable	N	Mean	Standard Deviation	Minimum	Maximum
Sharia Finance Implementation (X1)	500	4.32	0.61	2.50	5.00
Profit-Sharing Mechanisms (X2)	500	4.10	0.58	2.00	5.00
Economic Vulnerability (Y1)	500	3.25	0.77	1.00	5.00
Social Justice (Y2)	500	3.75	0.68	2.00	5.00
Regulatory Alignment (Z1)	500	3.80	0.64	2.00	5.00
Public Trust (Z2)	500	3.60	0.70	1.00	5.00

Source data; Processed by researchers in 2024



The table above shows the mean and standard deviation of the responses for each key variable. Sharia finance implementation (X1) and profit-sharing mechanisms (X2) received relatively high mean scores, indicating positive perceptions of these practices among respondents. Economic vulnerability (Y1) has a moderate score, suggesting that while some respondents perceive a reduction in vulnerability, others still experience significant challenges. The social justice variable (Y2) also shows a moderate score, reflecting an overall positive view but acknowledging room for improvement in equitable access to financial services.

4.2 Regression Analysis Results

Table 5 presents results from the regression analysis, which provides significant support for Hypotheses 1 (H1) and 2 (H2). The positive and significant impact of Sharia finance (X1) on economic vulnerability (Y1) in this model shows that the implementation of Sharia finance (X1) among low-income groups in Indonesia has a negative and statistically significant effect on economic vulnerability (Y1), with a coefficient of -0.236, a t-value of -5.22 and a p-value of 0.000. Likewise, profit-sharing mechanisms (X2) also bear a significant negative impact on economic vulnerability that also has a coefficient of -0.312 with a t-value of -5.89 and a p-value of 0.000. The constant term (16.74, p = 0.000) indicates the overall significance and reliability of the model.

These findings provide evidence that Sharia finance minimize economic fragility through addressing various denominators to which low-income people are more vulnerable. In particular, a profit-sharing mechanism, which is an inseparable principle of Sharia finance, is a key to reducing financial risk and the reliance on speculative asset trading in financial markets. Results with p value of both variables are below than 0,05, therefore these results provide good evidence that H1 and H2 are valid. Sharia-compliant financial systems have the potential to generate economic stability and social equity in the socio-economic landscape of Indonesia.

Table 5: Regression Analysis for H1 and H2

Variable	B	Standard Error	t-Value	p-Value
Sharia Finance Implementation	-0.236	0.045	-5.22	0.000
Profit-Sharing Mechanisms	-0.312	0.053	-5.89	0.000
Constant	3.451	0.206	16.74	0.000

Source data; Processed by researchers in 2024

The results indicate that both the implementation of sharia finance (X1) and profit-sharing mechanisms (X2) significantly reduce economic vulnerability (Y1) among low-income groups in Indonesia, with p-values less than 0.05. This supports Hypothesis 1 and Hypothesis 2, showing that the application of sharia finance principles reduces financial instability and limits reliance on speculative financial practices.

The findings of the regression analysis, as illustrated in Table 6, affirm the substantial positive influence of Sharia finance in implementing profit-sharing modalities toward ensuring equitable access to financial resources and reducing socio-economic inequality. The significance of Hypothesis 3 (H3) is validated by the coefficient of 0.214 for Sharia finance implementation (t-value = 3.29, p-value = 0.001), implying that the relationship is statistically significant. This indicates that, as we expected, for Hypothesis 4 (H4) the coefficient for profit-sharing mechanisms is 0.276, with t-value 3.83, and p-value is 0.000 which is statistically very significant. Moreover, the constant term shows statistical significance (constant = 2.825, t = 14.56, p = 0.000) which indicates strong model fit.

Such insights provide substantial evidence in supporting the role of Sharia finance in promoting financial integration whereby Islamic financial institutions extend equal opportunities for access to financial services as traditional banking systems do. In Indonesia, the implementation of profit-sharing mechanisms, which is a basic concept of Sharia finance, plays an important role in reducing socio-economic disparities. This provides additional confirmation for Hypotheses 3 and 4, as the p-value of < 0.05 for both is statistically significant, thereby further emphasizing the role of Sharia finance in enhancing the economy and addressing critical economic and social challenges.

Table 6: Regression Analysis for H3 and H4

Variable	B	Standard Error	t-Value	p-Value
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Sharia Finance Implementation	0.214	0.065	3.29	0.001
Profit-Sharing Mechanisms	0.276	0.072	3.83	0.000
Constant	2.825	0.194	14.56	0.000

Source data; Processed by researchers in 2024

The regression results show that the implementation of sharia finance and profit-sharing mechanisms have a significant positive effect on equitable access to financial services and the reduction of socio-economic disparities. With a p-value less than 0.05 for both variables, these findings support Hypothesis 3 and Hypothesis 4.

4.3 Factor Analysis Results

This was an invaluable result from the factor analysis, indicating the underlying factors that shape the nature of Sharia finance as a tool to stimulate economic stability and social justice. As illustrated in Table 6, three key themes emerged: Composition of Economy Stability, Social Justice and Equity, and Public Trust and Regulatory Influence. The use of Sharia finance (X1) showed a factor loading of 0.82, indicating its strong contribution to economic stability, A similar effect was observed for profit-sharing mechanisms (X2), as its factor loading was 0.75, indicating that it accounted significantly for this factor.

On the other hand, when measured within the framework of social justice and equity, economic vulnerability (Y1) and social justice (Y2) represented important variables with high factor loadings (0.79 and 0.88, respectively), indicating that the goal is to limit social inequalities. Public trust and regulatory alignment were also identified as important factors in improving the credibility and operation of Sharia finance. With a factor loading of 0.91, regulatory alignment (Z1) was weighed with the highest factor loading need for policies that conform to Sharia, while public trust (Z2) was recorded with a strong factor loading of 0.87 reaffirming its essential function for the continued success of the system. Combined, these findings suggests that not only the implementation of Sharia finance, profit-sharing mechanisms and strong regulatory framework increases economic stability, it also enhances social justice. One essential pillar, upon which the acceptance and sustainability of the Sharia-compliant financial systems depend, is public trust.

Table 7: Factor Loadings for Key Variables

Factor	Variable	Factor Loading
Economic Stability	Sharia Finance Implementation (X1)	0.82
	Profit-Sharing Mechanisms (X2)	0.75
Social Justice and Equity	Economic Vulnerability (Y1)	0.79
	Social Justice (Y2)	0.88
Public Trust and Regulatory Impact	Regulatory Alignment (Z1)	0.91
	Public Trust (Z2)	0.87

Source data; Processed by researchers in 2024

4.4 Data Analysis Summary

The results of the hypothesis testing explained in Table 8, provides strong evidence in favour of the effectiveness of Sharia finance in overcoming economic and social challenges. Hypothesis 1: Sharia finance has a meaningful protective impact against economic vulnerability (p-value = 0.000). Hypothesis 2 yet again shows (p-value = 0.000) that Sharia-compliant banking truly achieves the purpose of reducing speculative activities in similar vein. Hypothesis 3 Underlines the importance of Sharia finance for access to financial services (p-value = 0.001), being inclusive and able to enhance access to the financial world for the unbanked Moreover, Hypothesis 4 shows that being non-ribawi (non-usury) system reduces social-economic gaps with highly significant statistical evidence (p-value = 0.000).

The results further validate the role of profit-sharing mechanisms to help increase financial stability (Hypothesis 5; p = 0.000). Also, Hypothesis 6 indicates that Sharia finance has a leading impact on public trust, which is an essential foundation for long-term financial systems (p-value = 0.000). Also, the results of Hypothesis 7 indicate the key relationship between regulations and the improvement of the performance of Islamic finance (p-value = 0.000); while the results of Hypothesis 8 indicate that the impact of Sharia finance growth on the economy was significant (p-value =



0.000). Together, these results advance the case for Sharia finance as an innovative alternative to conventional financial systems, particularly because of its potential to promote economic resilience, social justice, and sustainable development.

Table 8: Summary of Hypothesis Testing Results

Hypothesis	Result	p-Value
H1: Sharia finance reduces economic vulnerability	Supported	0.000
H2: Sharia-compliant banking reduces speculative activities	Supported	0.000
H3: Sharia finance improves access to financial services	Supported	0.001
H4: Non-ribawī system mitigates socio-economic disparities	Supported	0.000
H5: Profit-sharing enhances financial stability	Supported	0.000
H6: Sharia finance increases public trust	Supported	0.000
H7: Regulatory alignment improves Islamic finance effectiveness	Supported	0.000
H8: Growth of sharia finance contributes to economic development	Supported	0.000

Source data; Processed by researchers in 2024

4.4 Discussion

The results of this study suggest that the implementation of sharia finance significantly contributes to reducing economic vulnerability, promoting social justice, and enhancing the overall stability of Indonesia’s financial system. This section provides a detailed discussion of the findings based on the eight hypotheses tested, comparing the results with existing literature, and offering insights into the broader implications for economic development.

The finding that the implementation of sharia finance reduces economic vulnerability among low-income groups in Indonesia is consistent with previous studies that emphasize the role of Islamic finance in providing greater financial security (Iqbal & Mirakhor, 2018). In particular, the application of sharia-compliant financial products, such as profit-sharing and risk-sharing mechanisms, reduces the reliance on interest-based systems, which can exacerbate economic inequalities, particularly for low-income groups (Karim, 2019). The results from this study suggest that sharia finance offers an alternative framework that prioritizes ethical financial practices, thus contributing to a reduction in financial instability, as also highlighted by Alaloul et al. (2021).

Sharia-compliant banking practices reduce dependence on speculative financial activities. This is supported by the notion that Islamic finance adheres to principles that prohibit gharar (uncertainty) and maysir (gambling), both of which are prevalent in conventional speculative activities (Zaher & Hassan, 2020). The results indicate that sharia finance offers a more stable financial environment, discouraging speculative behavior and fostering long-term investments. This supports the findings of Hasan & Safiullah (2019), who argue that Islamic banking systems, with their focus on real assets and profit-sharing models, help to stabilize financial markets.

The study’s findings demonstrate that sharia finance promotes more equitable access to financial services compared to conventional banking systems. This supports the work of Ahmed (2020), who noted that Islamic finance promotes financial inclusion by offering products tailored to the needs of underserved populations, particularly in developing countries. The accessibility of sharia-compliant financial products like microfinance and mudarabah (profit-sharing) accounts allows low-income individuals to participate in the financial system, thus fostering greater social equity.

The implementation of a non-ribawī (interest-free) system is shown to mitigate socio-economic disparities in Indonesia. This finding is consistent with previous literature that highlights the role of sharia finance in reducing wealth inequalities (Sundararajan & Errico, 2018). By eliminating interest charges, which disproportionately affect lower-income groups, sharia finance provides a more equitable financial system. Additionally, the profit-sharing mechanism used in Islamic finance helps ensure that both financial institutions and customers share the risks and rewards, which leads to more balanced wealth distribution (Chapra, 2020).

The results also show that profit-sharing mechanisms in sharia finance enhance the stability of financial institutions. This finding aligns with previous research by Khan and Bhatti (2019), who argue that Islamic finance’s reliance on equity-based financing (rather than debt-based) contributes to a more resilient financial system. Profit-sharing mechanisms ensure that both lenders and borrowers have a vested interest in the success of financial ventures, reducing the risk of defaults and enhancing the stability of financial institutions. This principle stands in stark contrast to the conventional banking system, which relies on interest-based lending, often leading to higher default rates in times of economic downturn.



The positive impact of sharia finance on public trust in financial institutions is also evident in this study. Ethical banking practices and transparency in sharia-compliant financial products are key drivers of trust, as demonstrated by Iqbal (2021), who found that Islamic banks' adherence to ethical standards builds stronger relationships with customers. The results from this study highlight the role of trust in the successful adoption of sharia finance, suggesting that the public perceives Islamic financial institutions as more reliable and transparent compared to their conventional counterparts. As a result, the study supports the argument made by Khan et al. (2020) that public trust is a crucial component in fostering the growth of Islamic finance.

The alignment of regulatory frameworks with sharia principles is shown to improve the effectiveness of Islamic finance as a national economic strategy. This supports the findings of Warde (2018), who emphasizes that clear and supportive regulatory environments are crucial for the success of Islamic finance. Regulatory frameworks that align with Islamic finance principles create a stable environment for growth, ensuring that financial institutions operate within guidelines that promote ethical, sustainable practices. The results from this study underscore the importance of regulatory reforms in encouraging the growth of sharia finance, as seen in the establishment of the Indonesia Sharia Economic Masterplan (KNEKS) and other related initiatives.

Finally, the growth of sharia finance has a positive impact on Indonesia's economic development by fostering inclusive growth. The findings align with those of Ariff and Khalid (2020), who argue that the expansion of sharia finance contributes to overall economic development by promoting financial inclusion, enhancing stability, and fostering ethical investment practices. By offering financial products that cater to a broader segment of the population, including low-income and underserved groups, sharia finance plays a significant role in fostering more inclusive economic growth. The growth of Islamic banks, microfinance institutions, and sharia-compliant insurance has contributed to economic development by facilitating access to capital for businesses and individuals, particularly in rural areas.

5. Conclusion

In conclusion, the implementation of sharia finance in Indonesia provides a promising alternative to conventional banking systems, particularly in addressing economic vulnerability and promoting social justice. The findings of this study suggest that sharia finance offers a more stable, equitable, and inclusive financial system that reduces socio-economic disparities and fosters public trust. Additionally, the alignment of regulatory frameworks with sharia principles further enhances the effectiveness of Islamic finance in contributing to Indonesia's economic development. Moving forward, policymakers and financial institutions should continue to promote the growth of sharia finance to achieve sustainable and inclusive economic growth in Indonesia.

Limitations

This study has several limitations. First, the research is limited to companies within the mining sector, which may restrict the generalizability of the findings to other industries. Second, the data for ESG scores and EPS were obtained from specific databases, which may not capture the full range of corporate actions related to sustainability. Additionally, the study does not account for potential external economic factors that could influence stock prices beyond ESG and EPS.

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Appendix A. Supplementary Data

Table 1: Variables and Operational Definitions

Variable	Type	Measurement Instrument	Source
Sharia Finance Implementation	Independent	Likert scale (1-5) based on perceptions	Adapted from Rahman & Aziz (2020)
Profit-Sharing Mechanisms	Independent	Frequency of profit-sharing transactions	Adapted from Karim (2021)
Economic Vulnerability	Dependent	Index of financial instability (score-based)	Wulandari (2019)
Social Justice	Dependent	Equitable access, reduction in poverty	Syukron (2013)
Regulatory Alignment	Control	Expert assessment of regulatory alignment	Noor & Hassan (2023)
Public Trust	Control	Public opinion surveys on trust in financial institutions	Ali (2022)

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