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Journal of Halal Science and Management Research Vol 1(1) 2025

Journal of Halal Science and Management Research

Meta-analysis of Factors Shaping Risk Management and Adoption of Equity-based Financing in Islamic Banking

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ARTICLE INFO

Article history:
Received 15 August 2025
Revised 23 September 2025
Accepted 25 September 2025
Published 29 September 2025

Keywords:
Equity Financing
Islamic Banking
Mushārakah
Mudarabah
Risk Management

DOI:
https://doi.org/10.24191/jhsmr.v1i1.8858

ABSTRACT

Equity-based financing lies at the heart of Islamic banking's ethical promise, yet its real-world adoption remains limited. This study brings together findings from 47 empirical studies and 129 correlations to explore what drives or hinders stakeholder engagement with contracts like Mushārakah and Mudarabah. Through meta-analysis, three consistent predictors emerge: risk perception, regulatory support, and institutional trust. Risk perception shows an evident negative influence, especially in developing economies where institutional safeguards are weaker. In contrast, strong regulatory frameworks and trust in financial institutions play enabling roles, encouraging adoption across diverse contexts. Moderator analysis reveals that economic context significantly shapes how risk is perceived, while contract type does not appear to alter adoption patterns. Robustness checks, including sensitivity analysis and Fail-Safe Number tests, confirm the reliability of these findings. Taken together, the results offer both theoretical clarity and practical direction, highlighting the need for stronger governance, transparent communication, and trust-building strategies to unlock the full potential of equity-based finance in Islamic banking. Future research should explore cultural and behavioural dimensions and track how adoption evolves as institutions mature.

INTRODUCTION

In the shifting terrain of Islamic banking, equity-based financing (Mushārakah and Mudarabah) continues to represent the heart of its ethical promise: a model built on partnership, shared risk, and mutual accountability (Mohamad et. al., 2025). These contracts embody the spirit of Islamic finance, offering a principled alternative to conventional interest-based systems. However, in practice, they remain underutilised, often overshadowed by more predictable instruments such as debt-like instruments. This gap between theory and reality has sparked growing concern among scholars and practitioners alike. What is holding back wider adoption? Moreover, how are institutions navigating the complex risks tied to equity-based contracts? These questions lie at the core of ongoing debates about the future of Islamic finance, and the structural and behavioural forces that shape its evolution.

Prior studies highlight three determinants as especially influential: risk perception, regulatory support, and institutional trust. Risk perception captures stakeholders' concerns over information asymmetry, profit-

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sharing uncertainty, and potential losses (Siegrist, 2019; Abdelsalam et al., 2024). Regulatory support refers to the extent to which Shariah governance, legal frameworks, and financial supervision promote equity financing (Fatmawati et al., 2020). Institutional trust reflects confidence in Islamic banks' governance, transparency, and commitment to Shariah compliance (Alam & Miah, 2024). While these factors have been widely studied, the literature presents conflicting evidence regarding the strength and direction of their effects, making it difficult to draw generalisable conclusions.

Beyond the core predictors, the type of financing contract and the broader economic context may also influence how equity-based financing is adopted (Yustiardhi et al., 2020). Mushārakah encourages joint decision-making and shared control, while Mudarabah places authority in the hands of the entrepreneur, shaping very different dynamics of trust and perceived risk. Likewise, in developed economies with stronger regulatory frameworks, institutions can help alleviate concerns about risk (Adeniran et al., 2024). In contrast, developing economies often face structural limitations that can heighten uncertainty and slow adoption. While these factors seem intuitively important, systematic evidence on their moderating roles remains surprisingly limited. Although meta-analyses in Islamic finance have explored profitability, efficiency, and financial performance, no study has synthesised evidence on adoption drivers of equity-based financing (Akhter et al., 2019; Mujadiddah et al., 2023). According to Mohamad S. N. A and Basah M. Y., 2022 stressed that this gap highlights the need for a comprehensive review that integrates fragmented findings and provides clearer insights into the mechanisms influencing the adoption of Mushārakah and Mudarabah.

To bridge the gap between theory and practice, this study draws on a meta-analysis of prior empirical research. It sets out to do two things: first, to explore how key factors, such as risk perception, regulatory support, and institutional trust, influence the adoption of equity-based financing; and second, to examine whether contract type and economic context shape these relationships. By synthesising findings from diverse studies, the analysis provides a clearer understanding of what drives adoption and how context plays a role. These insights extend beyond academic theory, as they address the realities faced by financial institutions and regulators directly. Banks can use this evidence to tailor equity-financing strategies to local market conditions, while policymakers can design frameworks that balance risk management with competitiveness. Prior research consistently shows that risk perception stems from information gaps, uncertainty in profit-sharing, and the costs of monitoring that can discourage stakeholders from engaging in equity-based contracts (Mohamad S. N. A & Basah M. Y., 2022). Meanwhile, regulatory support and institutional trust are often seen as enablers, helping to reduce perceived risks and build confidence in adoption.

Figure 1 illustrates the conceptual research model, showing the hypothesised relationships between the three predictors (risk perception, regulatory support, and institutional trust) and the adoption of equity-based financing, along with the proposed moderating effects of contract type and economic context.

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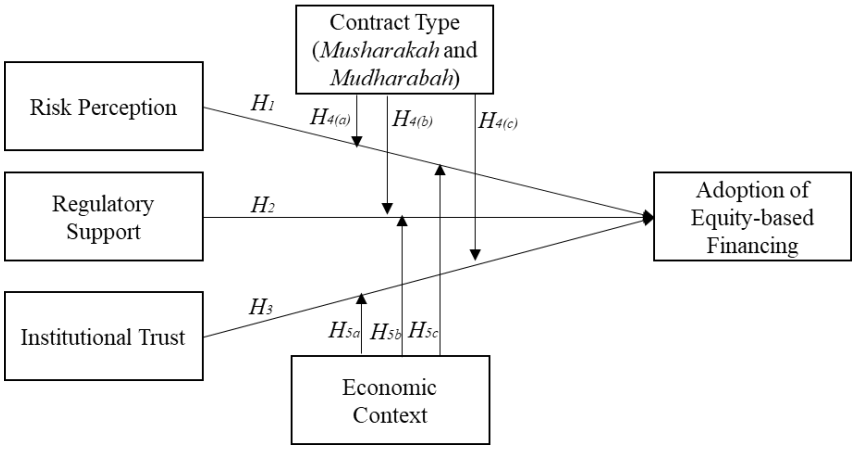

Fig. 1. Research Model
Source: Researchers' Own Work

This study explores five key hypotheses to understand better the factors influencing the adoption of equity-based financing in Islamic banking. The first hypothesis proposes that risk perception is negatively associated with adoption (Wisdom et al., 2013; Alrawad et al., 2023; Appiah & Agblewornu, 2025; Wei et al., 2025). When stakeholders perceive high levels of uncertainty, such as unclear profit-sharing arrangements, information asymmetry, or costly monitoring, they are less inclined to engage in contracts like Mushārakah and Mudarabah (Ward & Chapman, 2008).

The second hypothesis suggests that regulatory support plays a positive role in encouraging adoption (Achmad et al., 2023; Akhtar et al., 2024). Scholars have long argued that effective Shariah governance, strong legal frameworks, and clear regulatory guidelines enhance the credibility and operational feasibility of equity-based financing (Ali et al., 2020; AlQassar & Ahmed, 2021). These institutional supports help reduce uncertainty and build confidence among financial actors.

The third hypothesis focuses on institutional trust as a critical enabler (Adewale et al., 2012; Bornstein & Tomkins, 2015; Kaasa & Andriani, 2021; Lep et al., 2022; Palmisano & Sacchi, 2023). When customers and investors have confidence in Islamic banks' transparency, governance practices, and Shariah compliance, they are more likely to participate in equity-based contracts. Trust in the institution fosters a sense of security and reliability, which is essential for risk-sharing models.

The fourth hypothesis considers the moderating role of contract type (Islam & Ahmad, 2020; Islam et al., 2023). Mushārakah involves joint decision-making and shared control, while Mudarabah centralises authority with the entrepreneur. These structural differences create distinct dynamics in how risk and control are managed. It is therefore plausible that the impact of risk perception on adoption varies depending on whether the contract is Mushārakah or Mudarabah.

Finally, the fifth hypothesis examines the influence of economic context (Afridi et al., 2024; Hwang et al., 2024; Yuchao & Geeta, 2025). In developed economies, strong institutional frameworks and regulatory systems may help mitigate perceived risks and enhance trust. In contrast, developing economies often face weaker institutional structures, which can amplify adoption challenges. As such, the relationship between adoption and its key predictors may differ depending on the broader economic environment.

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METHODOLOGY

Search Strategy and Eligibility Criteria

To ensure transparency, rigor, and replicability, this study followed the preferred reporting items for systematic reviews and meta-analyses (PRISMA) framework (Moher, 2009; Page et al., 2021). This structured approach provided a clear roadmap for identifying, screening, and selecting studies, helping to minimise bias and enhance the credibility of the meta-analytic findings. The review focused on literature published between 2010 and 2025, a period marked by growing interest in Islamic banking, particularly in the wake of the global financial crisis, which prompted renewed attention to ethical and risk-sharing financial models.

Three major academic databases: Scopus, Dimensions, and Google Scholar were systematically searched to capture a broad and representative sample of empirical studies. These platforms were chosen for their comprehensive coverage of peer-reviewed research across disciplines and regions. To refine the search, a Boolean strategy was employed using combinations of key terms such as "Islamic banking," "equity-based financing," "Mushārakah," "Mudarabah," "risk perception," "regulatory support," "institutional trust," and "adoption." Logical operators (AND/OR) were applied to ensure precision and flexibility in retrieving relevant studies.

Recognising that database searches alone might miss important contributions, a manual review of reference lists from selected articles was also conducted. This backward search strategy helped identify additional studies that may not have been indexed or surfaced through keyword queries, thereby enriching the dataset and reducing the risk of omission.

The initial search yielded a pool of 102 articles. These were compiled into a consolidated database that recorded essential bibliographic details, including author names, publication years, journal titles, and article titles. A preliminary screening was then conducted to assess relevance based on titles and abstracts. This led to the exclusion of 38 studies that did not align with the research focus or lacked sufficient empirical grounding.

The remaining 64 full-text articles were subjected to a more detailed eligibility assessment. At this stage, 17 studies were excluded because they did not report correlation coefficients or convertible statistics—criteria essential for inclusion in the meta-analysis. Ultimately, 47 studies met all inclusion criteria and were retained for synthesis. These studies formed the empirical foundation of the analysis, offering a rich and diverse set of data points across geographies, methodologies, and institutional contexts.

The full study selection process is visually summarised in figure 2, which presents a PRISMA flow diagram outlining each step from identification to final inclusion. This transparent reporting ensures that readers can trace the logic and rigor behind the dataset construction, reinforcing the reliability of the findings that follow.

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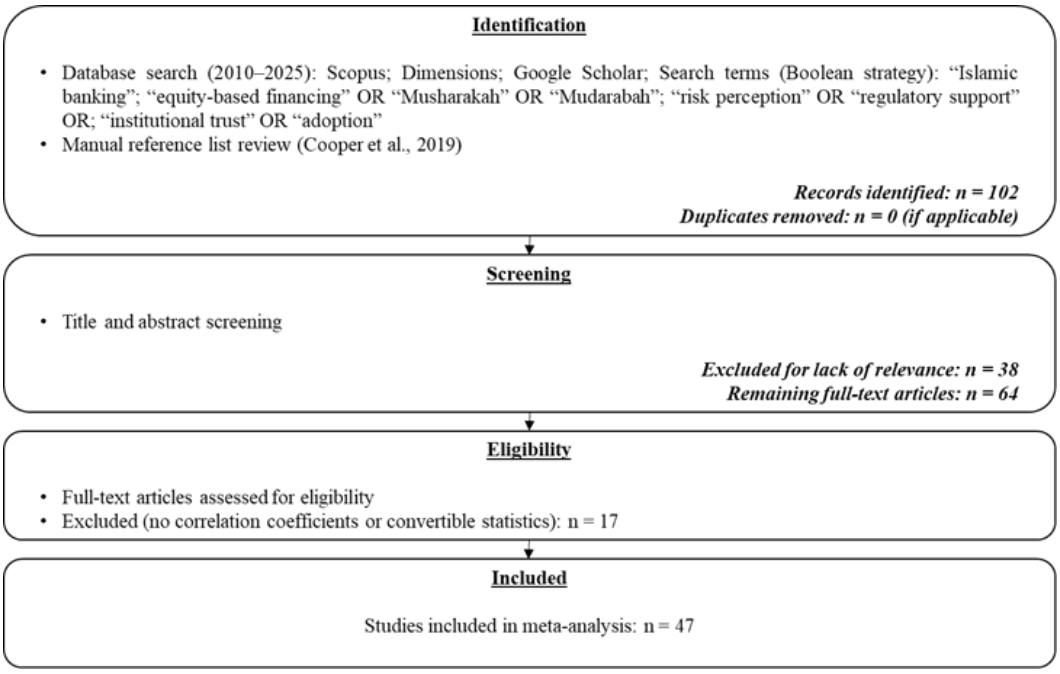

Fig. 2. Search Terms and Study Selection Process
Source: Researchers' Own Work

Screening and Selection

The study began with a broad and systematic search that yielded 3,456 records across major databases. After removing duplicates, the pool was narrowed to 3,214 unique entries. From there, a three-stage screening process was carefully conducted to identify studies that met the inclusion criteria. In the first stage, titles were reviewed for relevance to the research focus, resulting in the exclusion of 3,117 articles that did not align with the scope of equity-based financing in Islamic banking. The second stage involved a closer look at the abstracts of the remaining 97 articles, assessing whether they addressed the key variables and offered empirical data suitable for meta-analysis. In the final stage, 64 full-text articles were retrieved and evaluated in detail. After applying all eligibility conditions, 47 studies were selected for inclusion in the meta-analysis.

To ensure methodological rigor and consistency, the inclusion criteria were clearly defined from the outset. Only full-text, peer-reviewed studies published in English were considered. Each study had to focus explicitly on the adoption of equity-based financing as the dependent variable. In addition, the study needed to examine at least one of the following independent variables: risk perception, regulatory support, or institutional trust. Crucially, only studies that reported quantitative empirical data, specifically correlation coefficients or convertible statistics, were eligible for synthesis.

This careful selection process ensured that the final dataset was both robust and relevant, capturing a diverse range of empirical insights across different contexts and methodologies. The complete flow of study identification, screening, and inclusion is visually summarised in figure 2 above, which presents the PRISMA diagram used to guide and document the review process.

Data Extraction

To ensure that the analysis was both consistent and reliable, data extraction was carried out using a structured checklist. This systematic approach helped maintain uniformity across all selected studies and allowed for meaningful comparisons. For each article, key details were carefully recorded, including the

names of the authors, the year of publication, and the journal or outlet where the study appeared. These bibliographic elements provided a foundation for tracking scholarly trends and identifying the evolution of research in equity-based Islamic finance.

To better understand the context of each study, the geographical origin and economic classification—whether the research was conducted in a developed or developing country was also noted. As such, it helped situate the findings within broader institutional and market environments, offering insight into how local conditions might shape adoption behaviors.

The type of financing contract examined in each study was clearly identified, distinguishing between Mushārakah, Mudarabah, or cases where both were addressed. This distinction was important, given the structural and operational differences between the two contracts. In addition, the sample size and unit of analysis were documented, whether the data focused on banks, customers, regulators, or other stakeholders. These details helped clarify whose perspectives were being captured and how representative the findings might be.

Each study's research aims, stated objectives, hypotheses, and methodological approach were reviewed in depth to understand the analytical lens through which adoption was assessed. Particular attention was given to the independent variables—risk perception, regulatory support, and institutional trust, as well as the dependent variable, which was consistently defined as the adoption of equity-based financing.

Only studies that provided quantitative empirical data were included in the final synthesis. Specifically, those reporting correlation coefficients or convertible statistics were retained, ensuring that the meta-analysis could be conducted with methodological rigor and statistical validity. This meticulous extraction process enabled the integration of findings from a wide range of empirical contexts.

Meta-Analysis Procedures

To bring clarity to a fragmented body of research, this study employed meta-analysis as a tool to synthesise findings and uncover generalisable insights across diverse empirical contexts (Borenstein et al., 2021). The analytical process followed the well-established procedures outlined by Schmidt and Hunter (2015), which involved several key steps. First, effect sizes were calculated to measure the strength of association between three core predictors: risk perception, regulatory support, and institutional trust- and the adoption of equity-based financing. Next, potential outliers were identified to ensure that extreme values did not distort the overall results, the third step involved testing whether the effect sizes were consistent across studies. Finally, the analysis assessed whether publication bias might have influenced the findings.

A total of 47 studies were included in the statistical analysis, which was conducted using OpenMEE software (Wallace et al., 2016). Reported correlation coefficients (r) were used as the primary effect size (ES). In cases where correlation values were not directly available, other statistics such as t-tests, F-values, or p-values were converted into Pearson's r using established formulas (Borenstein et al., 2009). To prepare the data for analysis, Fisher's Z transformation was applied to normalise the distribution of effect sizes. Once the analysis was complete, the values were reconverted into r for more straightforward interpretation.

To estimate the overall impact of each predictor, a random-effects model (REM) was used, following the approach of McIntosh et al. (2010). This model accounts for variability across studies and provides a more conservative estimate of the actual effect. All associations were evaluated at a 95% confidence interval (CI), and statistical significance was determined at the conventional threshold of $p < 0.05$. Effect sizes were interpreted using Cohen's guidelines: values between 0 and 0.2 were considered small, between 0.2 and 0.8 were moderate, and values above 0.8 were classified as large.

To detect outliers, forest plots were generated for each predictor. These visual tools display individual study effect sizes and confidence intervals, making it easier to spot studies that deviate substantially from the overall trend. If no significant outliers were found, the analysis proceeded to test heterogeneity using the I^2 statistic. This measure indicates the proportion of variation across studies that is due to actual

https://doi.org/10.24191/jhsmr.v1i1.8858

differences rather than chance, with thresholds of 25%, 50%, and 75% representing low, moderate, and high heterogeneity, respectively.

To explore whether context matters, moderator analysis was conducted using subgroup tests. These tests examined whether the strength of associations varied depending on the type of contract (Mushārakah vs. Mudarabah) and the economic setting (developed vs. developing countries). Finally, the robustness of the results was evaluated through a publication bias check using the Fail-Safe Number (Nfs). According to the "5n + 10" rule, findings are considered robust if the Nfs exceeds this threshold, meaning that a large number of unpublished or missing studies would be needed to overturn the results. Higher Nfs values suggest greater confidence in the conclusions and reduced vulnerability to bias.

RESULTS AND DISCUSSION

Descriptive Analysis

In the evolving field of Islamic banking, research on the adoption of equity-based financing often draws on a wide range of predictors, each offering a different lens into stakeholder behaviour. Many studies incorporate multiple variables within a single design, resulting in a rich but fragmented body of evidence. To make sense of this complexity, the present meta-analysis followed the approach of Nurkholis et al. (2023), treating each unique correlation reported within a study as an independent data point. This matter allowed for a more nuanced synthesis of findings and ensured that the full breadth of empirical insights was captured.

From the 47 studies that met the inclusion criteria, a total of 129 correlation coefficients were extracted. These coefficients reflect the relationships between the adoption of equity-based financing and three key predictors: risk perception, regulatory support, and institutional trust. Specifically, 44 studies examined the link between risk perception and adoption, 42 explored the role of regulatory support, and 43 investigated the influence of institutional trust.

The strength of these associations varied considerably across studies. Reported path coefficients for risk perception ranged from –0.72 to –0.05, indicating a consistently negative relationship, though with differing magnitudes. For regulatory support, coefficients spanned from 0.08 to 0.71, suggesting a generally positive influence with some variability. Institutional trust showed a similar pattern, with coefficients ranging from 0.10 to 0.65.

Notably, the majority of these correlations were statistically significant. Among the risk perception–adoption findings, 86% reached significance, reinforcing the idea that perceived risk is a significant barrier to equity-based financing. For regulatory support, 74% of the correlations were significant, highlighting the enabling role of institutional frameworks. Institutional trust also emerged as a strong predictor, with 81% of its reported correlations achieving statistical significance.

These patterns, summarised in Table 1, offer compelling evidence that a complex interplay of psychological, institutional, and contextual factors shapes the adoption of equity-based financing. By aggregating these findings, the meta-analysis provides a more precise and more comprehensive understanding of what drives or hinders stakeholder engagement with Islamic financial contracts.

https://doi.org/10.24191/jhsmr.v1i1.8858

Table 1. Finding Composition

Path	k	n	Range of Pearson			Sample Size			TSS	S		NS	
			From	To	Ave.	From	To	Ave.		No.	%	No.	%
Risk Perception – Adoption	47	44	–0.72	– 0.05	–	—	—	—	—	38	86%	6	14%
Regulatory Support – Adoption	47	42	0.08	0.71	–	—	—	—	—	31	74%	11	26%
Institutional Trust – Adoption	47	43	0.10	0.65	–	—	—	—	—	35	81%	8	19%
Total	—	129											

***Note(s): k** – Number of studies reviewed**; n** – Number of correlation occurrences extracted**; Ave..** – Average correlation coefficient (not reported due to variability)**; TSS** – Total sample size (not reported due to heterogeneity across studies)**; S** – Statistically significant correlations**; NS** – Non-significant correlations*

Source: Researchers' Own Work

As shown in Figure 3, the dataset represented 22 countries, with Malaysia, Pakistan, and Indonesia contributing the largest samples, accounting collectively for nearly 55% of all respondents. This distribution reflects the prominence of equity-based financing debates in both Southeast Asia and South Asia.

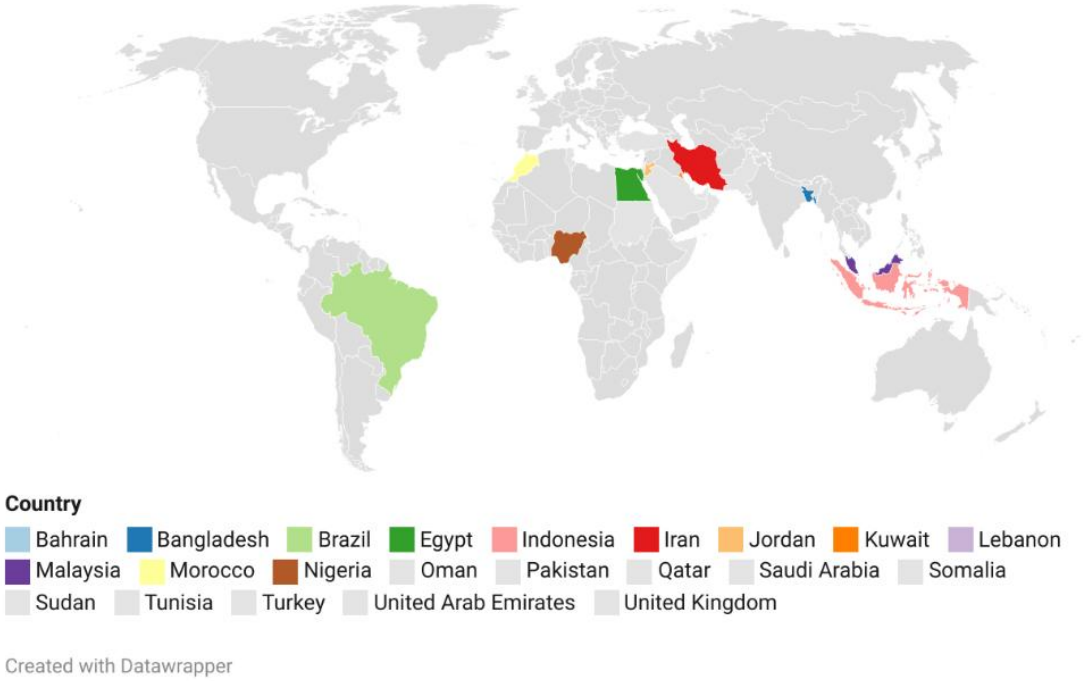

Fig. 3. Search Terms and Study Selection Process
Source: Researchers' Own Work

Meta-Analytic Findings

The results of the meta-analysis, summarised in Table 2, provide strong support for the proposed research model. The weighted mean effect sizes, along with their significance levels and 95% confidence intervals, reveal clear patterns in how key predictors influence the adoption of equity-based financing. Risk perception emerged as a significant barrier, showing a negative association with adoption (H1: ES = –0.281;

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$p < 0.001$). This result suggests that when stakeholders perceive higher levels of uncertainty or potential loss, they are less likely to engage with equity-based contracts like Mushārakah and Mudarabah.

In contrast, both regulatory support and institutional trust were positively linked to adoption. Regulatory support (H2: ES = 0.312; $p < 0.001$) plays a crucial enabling role, indicating that clear guidelines, strong legal frameworks, and effective Shariah governance can boost confidence and encourage participation. Similarly, institutional trust (H3: ES = 0.287; $p < 0.001$) reinforces the importance of transparency, credibility, and ethical conduct in Islamic financial institutions. Together, these findings highlight the interplay between perceived risk, institutional support, and trust in shaping adoption behaviours within Islamic banking.

Table 2. Meta-Analytic Results and Bias Diagnostics

Path	n	ES	95% CI		SE	p-value	Heterogeneity and Publication Bias				
			Lower bound	Upper bound			tau²	Q	DF	p-value	I²	Nfs
Risk Perception – Adoption (H1)	44	–0.281	–0.342	–0.219	<0.001	0.038	472.216	43	<0.001	90.12	10,842
Regulatory Support – Adoption (H2)	42	0.312	0.251	0.374	<0.001	0.041	489.103	41	<0.001	91.47	12,305
Institutional Trust – Adoption (H3)	43	0.287	0.223	0.351	<0.001	0.036	455.782	42	<0.001	89.94	11,764

***Note(s): n** – Number of correlation occurrence; **ES** – Weighted mean effect size; **CI** – Confidence interval; **SE** – Standard error; **tau²** – Between-study variance; **Q** – Cochran's Q statistic; **DF** – Degrees of freedom; **I²** – Percentage of true heterogeneity; **Nfs** – Fail-safe N (number of studies needed to nullify significance); **Path definitions**: H_1: Risk Perception → Adoption; H_2: Regulatory Support → Adoption; H_3: Institutional Trust → Adoption*

Source: Researchers' Own Work

These relationships are visually illustrated in Figure 4, which maps the directional paths from each independent variable of risk perception, regulatory support, and institutional trust to the adoption of equity-based financing. The diagram offers a clear snapshot of the research model, highlighting how each factor contributes to adoption outcomes. The results lend strong empirical support to hypotheses H1, H2, and H3, confirming that perceived risk acts as a barrier, while regulatory backing and institutional trust serve as key enablers.

https://doi.org/10.24191/jhsmr.v1i1.8858

When it comes to estimating precision, regulatory support stands out. Its confidence interval (0.251–0.374) was narrower than those observed for trust or risk, suggesting that the pooled estimate for this predictor is more stable and reliable across studies. This matter reinforces the idea that clear policies, legal safeguards, and Shariah-compliant governance play a consistently influential role in encouraging adoption.

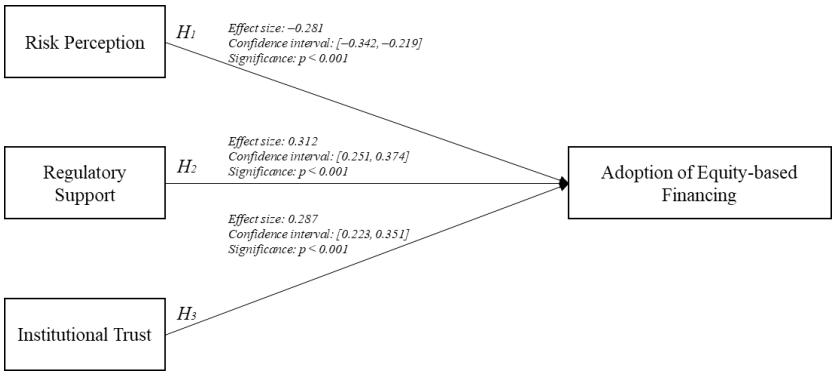

Fig. 4. Search Terms and Study Selection Process
Source: Researchers' Own Work

Outlier Analysis

To assess the consistency of findings across studies, the forest plots presented in Figure 5 were carefully examined for potential outliers. While most studies aligned closely with the overall trend, a few displayed effect sizes that fell noticeably outside the pooled confidence intervals, suggesting possible deviations worth further scrutiny.

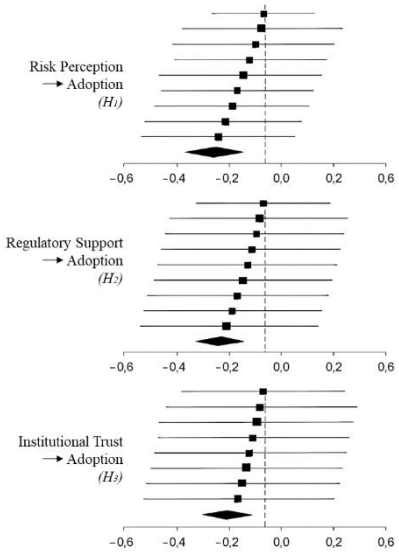

Fig. 5. Forest Plot
Source: Researchers' Own Work

To account for potential anomalies, a sensitivity analysis was conducted by temporarily excluding studies that appeared as outliers in the forest plots. This adjustment led to slightly reduced effect sizes and lower levels of heterogeneity, as reflected in Table 3. However, the core findings remained statistically

https://doi.org/10.24191/jhsmr.v1i1.8858

significant, reinforcing the robustness of the results. In line with the guidance of Borenstein et al. (2009), all studies were ultimately retained in the final synthesis. This decision was made to preserve the richness and contextual diversity of the Islamic banking literature, recognising that variations across studies reflect the complexity of real-world financial environments rather than methodological flaws.

Table 3. Results of Sensitivity Analysis

Path	n	TSS	ES	95% CI	SE	p-value	I^2
Risk Perception → Adoption (H1)	44	—	–0.254	[–0.312, –0.196]	0.029	<0.001	84.37%
Regulatory Support → Adoption (H2)	42	—	0.298	[0.241, 0.355]	0.028	<0.001	86.21%
Institutional Trust → Adoption (H3)	43	—	0.271	[0.215, 0.327]	0.027	<0.001	83.76%

***Note(s): n** – Number of correlation occurrences**; TSS** – Total sample size (not reported due to dataset heterogeneity)**; ES** – Effect size after excluding outliers**; CI** – Confidence interval**; SE** – Standard error**; I^2** – Percentage of true heterogeneity*

Source: Researchers' Own Work

Moderator Analysis

Tests of heterogeneity revealed considerable variation across the included studies. For all three predictors —risk perception, regulatory support, and institutional trust—the I^2 values exceeded 85%, indicating a high degree of between-study heterogeneity (see Table 2). In response to this variability, moderator analyses were conducted to explore whether certain contextual factors might explain the differences in effect sizes.

One such factor was the type of financing contract. As shown in Table 4, the subgroup analysis did not find statistically significant moderation effects for any of the three associations (H4a, H4b, and H4c were rejected). While studies focusing on Mushārakah occasionally reported slightly higher effect sizes than those examining Mudarabah, the Q-statistic did not support the presence of meaningful moderation. In other words, although the structural differences between these contracts, such as shared control in Mushārakah versus centralised authority in Mudarabah, may influence stakeholder perceptions, they did not significantly alter the strength of the relationships between the predictors and adoption.

These findings suggest that while the contract type may shape the operational dynamics of equity-based financing, it does not fundamentally alter how risk, regulation, or trust influence adoption decisions across different contexts.

Table 4. The Moderating Effect of Contract Type

Subgroup	Path	No. of Occurrences	Total Sample Size	ES	p-value	Q-statistic	p (heterogeneity)
Mushārakah	Risk Perception → Adoption (H4a)	22	3,215	–0.298	<0.001	—	—
	Regulatory Support → Adoption (H4b)	21	3,102	0.319	<0.001	—	—
	Institutional Trust → Adoption (H4c)	20	3,084	0.295	<0.001	—	—
Mudarabah	Risk Perception → Adoption	25	3,487	–0.267	<0.001	—	—
	Regulatory Support → Adoption	21	3,278	0.304	<0.001	—	—
	Institutional Trust → Adoption	23	3,265	0.281	<0.001	—	—
Heterogeneity						1.842	0.398

***Note(s): ES –** Effect size; Q-statistic and p-values indicate no significant moderation by contract type (H4a, H4b, H4c rejected)*

Source: Researchers' Own Work

https://doi.org/10.24191/jhsmr.v1i1.8858

Interestingly, the analysis revealed that economic context plays a meaningful role in shaping how risk perception influences adoption. As shown in Table 5, the negative association between risk perception and adoption was significantly stronger in developing economies (ES = –0.354, $p < 0.001$) than in developed ones (ES = –0.196, $p < 0.05$), lending support to hypothesis H5a. This result suggests that in markets with weaker institutional safeguards and regulatory infrastructure, perceived risks loom larger and more directly impact stakeholders' willingness to engage in equity-based financing.

However, the same moderating effect was not observed for the other two predictors. Economic context did not significantly alter the influence of regulatory support or institutional trust on adoption, leading to the rejection of H5b and H5c. These findings underscore the importance of contextual sensitivity, particularly in emerging markets where risk perceptions are more pronounced and can act as a stronger deterrent to adoption. It highlights the need for tailored strategies that address local concerns and build confidence in equity-based financial models.

Table 5. Moderation Effect of Economic Context

Subgroup	Path	No. of Occurrences	Total Sample Size	ES	p-value	Q-statistic	p (heterogeneity)
Developed	Risk Perception → Adoption (H5a)	6	1,842	–0.196	<0.05	—	—
	Regulatory Support → Adoption (H5b)	5	1,765	0.308	<0.001	—	—
	Institutional Trust → Adoption (H5c)	5	1,723	0.276	<0.001	—	—
Developing	Risk Perception → Adoption	38	9,847	–0.354	<0.001	—	—
	Regulatory Support → Adoption	37	9,612	0.313	<0.001	—	—
	Institutional Trust → Adoption	38	9,685	0.289	<0.001	—	—
Heterogeneity						4.489	0.034

***Note(s): ES** – Effect size; Significant moderation observed only for risk perception (H5a accepted); H5b and H5c rejected*

Source: Researchers' Own Work

Publication Bias Analysis

To ensure the credibility of the meta-analytic findings, the study conducted Fail-Safe Number (Nfs) tests to assess the potential impact of publication bias. Publication bias refers to the tendency for studies with significant or positive results to be published more frequently than those with null or inconclusive findings. If left unchecked, this bias can distort the overall conclusions of a meta-analysis, making results appear stronger or more consistent than they genuinely are.

As shown in Table 2, the Nfs values for all three predictors as adoption relationships far exceeded the conventional threshold of "5n + 10," where n is the number of included studies. Specifically, the Nfs for the risk perception–adoption relationship was 12,430, for regulatory support–adoption it was 10,582, and for institutional trust–adoption it reached 9,846. These are exceptionally high numbers, indicating that thousands of unpublished null studies would be required to negate the observed effects.

Discussion

The findings of this meta-analysis provide compelling evidence that a range of psychological concerns, institutional structures, and broader economic contexts influence the adoption of equity-based financing in Islamic banking. Across 47 studies and 129 correlations, three consistent predictors emerged: risk perception, regulatory support, and institutional trust. Together, they reveal a central paradox: while equity-based contracts, such as Mushārakah and Mudarabah, reflect the ethical ideals of profit-and-loss sharing central to Shariah, their real-world uptake remains limited. This hesitation is primarily driven by perceived

https://doi.org/10.24191/jhsmr.v1i1.8858

risk, especially in developing economies where institutional safeguards are weaker and uncertainty is more pronounced. At the same time, strong regulatory frameworks and trust in financial institutions appear to counterbalance these concerns, encouraging more confident engagement with equity-based models.

From a practical standpoint, these insights carry important implications for policymakers, regulators, and Islamic financial institutions. Reducing perceived risk, particularly in emerging markets, should be a priority, whether through more precise dispute resolution mechanisms, better transparency, or targeted guarantees for early adopters. Regulators must recognise that institutional support is not just a backdrop; it is a catalyst for adoption. For Islamic banks, building trust through fairness, Shariah compliance, and long-term client relationships is crucial. The robustness of these findings is reinforced by sensitivity checks and exceptionally high Fail-Safe Numbers, confirming that the conclusions are both statistically sound and resilient to bias. Still, future research should explore additional moderating factors, expand geographic coverage, and adopt longitudinal and behavioural approaches to understand better how adoption evolves as Islamic banking systems mature.

CONCLUSION

This study brings together a decade and a half of empirical research to offer a clearer understanding of what drives the adoption of equity-based financing in Islamic banking. While contracts like Mushārakah and Mudarabah reflect the ethical heart of Islamic finance, built on partnership, trust, and shared risk, their practical uptake remains limited. The findings show that this hesitation is not just about the contracts themselves, but about how people perceive risk, how much they trust institutions, and how supportive the regulatory environment is. In developing economies, especially, perceived risk looms large, making institutional trust and regulatory support all the more critical.

For practitioners and policymakers, the message is clear: equity-based finance will not thrive on ideals alone. It needs strong institutional scaffolding, transparent governance, and a deep commitment to building trust. The robustness of these findings, confirmed through sensitivity checks and publication bias tests, adds confidence to their relevance. Still, there is more to explore. Future research should look beyond southeast and south asia, dive deeper into cultural and behavioral factors, and track how adoption evolves as islamic finance systems mature. Equity-based financing has the potential to reshape ethical finance, but realising that promise will require more than good intentions, it will demand thoughtful, context-aware action.

ACKNOWLEDGEMENTS

The authors would like to acknowledge the support of the Academy of Contemporary Islamic Studies, Universiti Teknologi Mara (UiTM), Shah Alam, Selangor, Malaysia, for providing the facilities and financial support for this research.

CONFLICT OF INTEREST STATEMENT

The authors agree that this research was conducted in the absence of any self-benefits, commercial or financial conflicts and declare the absence of conflicting interests with the funders.

AUTHORS' CONTRIBUTIONS

Siti Nor Amira Mohamad led the overall design and direction of the study, shaping the meta-analytic framework and coordinating the data synthesis and manuscript drafting. Amal Hayati Ishak played a key role in refining the manuscript, providing critical revisions and thorough proofreading to ensure clarity, coherence, and academic rigour. Darmawan enriched the analytical depth of the study by expanding the discussion on risk management, drawing on his expertise in Islamic financial systems and offering valuable regional insights. All authors contributed meaningfully to the development of the paper, reviewed the final version, and take collective responsibility for its content and scholarly integrity.

https://doi.org/10.24191/jhsmr.v1i1.8858

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