

Unlocking Islamic Finance in Canada: Supply-Side Barriers to Innovation

Doctor of Business Administration (DBA)

Henley Business School

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Declaration

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“If you are grateful, I will surely increase you [in favour].” (Qur’an, 14:7)

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I ask Allah to bless me with sincerity of intention and purity of heart in the work that I submit here. May He make all my actions solely for His sake and reward me as He wills.

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Dedication

To the people of Palestine, especially the resilient and courageous people of Gaza:

You have endured unimaginable suffering and injustice. Yet, in the face of grave oppression, the destruction of your homes, starvation, man-made famine, apartheid, ethnic cleansing, and genocide¹, you continue to hold your heads high with dignity, strength, and an unyielding resolve.

Your perseverance amid the injustice is a lesson to all humanity, to endure hardship, to rise each day despite the pain, and to continue striving for what is just and precious, even when it seems impossible.

To you, I dedicate the struggles and heartaches I have endured in preparing this study. Your courage, sacrifice, and unwavering commitment to virtue will never be forgotten.

Free Palestine.

¹ As per the literature (Falk and Tilley, 2017; Amnesty International, 2022, 2024; Human Rights Watch, 2024; United Nations General Assembly, Human Rights Council, 2024; University Network for Human Rights, 2024; B'Tselem, 2025; Haan *et al.*, 2025; Independent International Commission of Inquiry on the Occupied Palestinian Territory, including East Jerusalem, and Israel, 2025; International Association of Genocide Scholars, 2025; Mann *et al.*, 2025).

Abstract

Islamic finance has emerged as a significant innovation in the global financial landscape, offering ethical and Shariah-compliant alternatives to conventional financial products. Despite its remarkable growth worldwide and the increasing demand among Canada's diverse and expanding Muslim population, the development of Islamic finance within the Canadian financial sector remains limited. This study addresses the critical gap between market demand and institutional supply by examining the supply side barriers to innovation that hinder the development and growth of Islamic finance in Canada.

Drawing on a qualitative phenomenological methodology (Moustakas, 1994), this research is grounded in the barriers-to-innovation framework established by Das *et al.* (2018) and supplemented by broader innovation theory. Twenty-two in-depth interviews were conducted with senior executives and innovation leaders across Canadian banks, credit unions, boutique firms, asset managers, and insurance companies. The analysis revealed a complex, interconnected set of obstacles, such as organisational inertia and resistance to change, risk aversion and perceived risk, complexity and cost of Shariah compliance, as well as societal factors such as Islamophobia and reputational concerns. It was found that these barriers are mutually reinforcing, creating self-perpetuating cycles that inhibit the growth of Shariah-compliant products and services, even as evidence of unmet demand in Canada persists.

The findings highlight that, while many barriers to Islamic finance mirror those encountered in other financial contexts, the Canadian case is distinguished by challenges related to perceived reputational risks and authenticity concerns, as well as fragmented community engagement. This study provides actionable recommendations for financial institutions, policymakers, and community stakeholders, including the development of internal expertise, fostering executive sponsorship, regulatory harmonisation, and enhanced stakeholder engagement. By addressing these barriers holistically, Canada's financial sector can advance innovation and financial inclusion, positioning itself as a leader in ethical and diverse financial services.

This study makes a significant contribution to the academic literature on financial innovation and Islamic finance in non-Muslim-majority countries. It offers an empirically grounded, supply-side perspective on why Canada's financial institutions have struggled to respond to the growing demand for Islamic finance, and outlines pathways for overcoming these challenges. This research has important implications for policy and practice, as well as future research on inclusive financial innovation in Canada and comparable jurisdictions.

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List of abbreviations (or symbols)

AAOIFI	Accounting and Auditing Organisations of Islamic Financial Institutions
CSR	Corporate Social Responsibility
DBA	Doctor of Business Administration
ETF	Exchange Traded Funds
FIs	Financial Institutions
Fintech	Financial Technology
IB	Islamic Banking
IF	Islamic Finance
IFSB	Islamic Finance Services Board
R&D	Research and Development
UK	United Kingdom
US	United States

Glossary

AAOIFI	Accounting and Auditing Organization for Islamic Financial Institutions. It is a private sector standard setting body, based in Bahrain, with the aim of producing international accounting standards within the Shariah framework for Islamic banks and financial institutions. Within the organization, there is a Financial Accounting Standards Board consisting of a number of voluntary members representing Islamic banks, users of financial statements of these banks, practicing accountants, academics, Shariah scholars and regulatory bodies. The Board is assisted by a Shariah committee, which reviews proposed pronouncements and advises the Board on their compliance with the Islamic precepts. There is an Executive Committee for Planning and Follow-up, which recommends priorities to the Board and draws up its agenda. The Supervisory Committee of the organization consists of a number of voluntary members and has the responsibility, besides oversight, to raise funds for the organization. The AAOIFI follows an extensive due process of eight phases which governs the production of its standards.
ASEAN	Association of Southeast Asian Nations. Established in 1967, of a number of Southeast Asian members including: Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand.
GCC	Gulf Cooperation Council. Set up by Bahrain, Kuwait, Oman, Saudi Arabia and United Arab Emirates in 1981. Aims are: unified trade and industrial legislation, common uniform customs tariff, liberalization of intra-trade of industrial goods, policy coordination in petroleum industry, coordination of financial and monetary policies, introduction of common currency and scientific and technical cooperation.
Gharar	Lit: Hazard, chance or risk. Tech: Sale of a thing that is not present at hand; or the sale of a thing whose consequence or outcome is not known; or a sale involving risk or hazard in which one does not know whether it will come to be or not, such as a fish in the water or a bird in the air.
Hadith	(Pl. Ahadith) Speech, action, habits and events of the Prophet's life codified by his companions and enlarged and revised by later Muslims. There is a large collection of ahadith, the most authentic of which have been recorded in the six books compiled by Bukhari, Muslim, Tirmadhi, Abw Dawwd, Ibn Majah and Nisa'i. These books are known as <i>sahah sittah</i> , the 'six correct compilations'. There are other collections also, the compilers of which are not regarded with comparable grace. In the process of collection and compilation of ahadith, a detailed art of evaluation was developed. Later on all ahadith were graded according to the criteria accepted by the majority. The hadith is second source of law in Islam. In Islamic economics as well, the contents of authentic ahadith are accepted as a valid primary source.
Halal	Lit: Permissible. Tech: Things or activities permitted by the Shariah. The concept of al-halal has spiritual overtones. There are activities, professions, contracts and transactions that have been explicitly

prohibited (al-haram) by the Qur'an or the sunnah of the Prophet. Barring them (i.e. al-haram), all other activities, professions, transactions, etc., are al-halal (permissible). This is one of the distinctive features of the Islamic economics vis-à-vis traditional economics where no such concept exists. In conventional economics, all activities are judged on the touchstone of economic utility. In Islamic economics, other factors, mostly moral and spiritual, are also considered for evaluating the utility. An activity may be economically sound, but may not be allowed in the Islamic society if it is not permitted by the Shariah.

Haram

Lit: Prohibited, unlawful.

IDB

Islamic Development Bank Jeddah) Established as a result of a decision by the OIC in 1975, the IDB Jeddah is owned by member countries of the OIC. Since 1413 AH (1992) the authorized capital had become ID 6.000 billion (SDR 6.000 billion) divided into 600 000 shares of 10.000 dinars each. The subscribed and paid-up capital of the bank at the end of 1418 AH was ID 4.000 billion and ID 2.257 billion, respectively. All member countries have subscribed to the capital but the major contributors are Saudi Arabia, Libya, Kuwait and the UAE. There were 52 member countries of the bank at the end of year 1418 AH. The bank provides development finance to the Muslim countries on the basis of various Islamic modes of finance such as musharakah, mudarabah, murabahah, 'ijarah and qard hasan. The bank claims to follow the principles of the Shariah in all its business. It also promotes trade among member countries and encourages setting up of Islamic banks. It has arrangements for in-house research on Islamic banking and economics.

Ijarah

Lit: Letting on lease. Tech: Sale of usufruct of an asset in exchange for definite reward, but it is commonly used for wages. Also, it refers to a contract of land lease at a fixed rent payable in cash. It is contrary to muzar'ah, when rent is fixed as a certain percentage of the produce of land. It also refers to a mode of financing adopted by Islamic banks. It is an arrangement under which the Islamic bank leases equipment, a building or other facility to a client against an agreed rental. The rent is so fixed that the bank gets back its original investment plus a profit on it. The conventional lease financing distinguishes between operating lease and financing lease. In the Islamic framework, al-'ijarah represents conventional operating lease. But Islamic al-'ijarah financing (called al-'ijarah muntahia bit tamluk) is distinct from the conventional lease financing in the following respect. The conventional financing lease applies to intangible assets while the Islamic lease financing also applies to intangible assets such as right to collect rentals of an infrastructure as toll of a bridge.

Interest

English language equivalent for the Qur'anic term riba, according to majority of the Islamic scholars.

Islamic Banking

Banking in consonance with the ethos and value system of Islam as compared to conventional banking that conducts its business of

borrowing and lending on the basis of interest. Islamic banking is expected not only to avoid transactions on the basis of interest, but also to participate actively in achieving the goals and objectives of an Islamic society. Islamic banking involves a social implication which is necessarily connected with the Islamic order itself, and represents a special characteristic that distinguishes Islamic banks from the banks based on other philosophies. In exercising all its banking and developmental activities, the Islamic bank takes into prime consideration the social implications that may be brought about by any decision or action taken by the bank. Profitability – despite its importance and priority – is not, therefore, the sole criterion in evaluating the performance of Islamic banks, since they have to match both between the material and the social objectives that would serve the interests of the community as a whole and help achieve their role in the sphere of social mutual guarantee. Social goals are understood to form an inseparable element of the Islamic banking system that cannot be dis-pensed with or neglected. Islamic banking started as a movement in the Muslim countries in the early 1970s. The IDB, Jeddah was the first international bank to be set up on the principles of the Islamic Shariah. Since then, several countries have tried to set up Islamic banks in their countries. They include some of the European countries as well.

Islamic Dinar	Currency used to denominate share capital and financing operations of IDB, Jeddah. The value of one Islamic dinar equals one SDR of the International Monetary Fund (IMF).
Maysir / Maisir	Lit: An ancient Arabian game of chance played with arrows without heads and feathering for stakes of slaughtered and quartered camels. Tech: It came to be identified for all types of gambling.
Mit Ghamr Bank	The first Islamic bank in the contemporary world established in a village of Egypt named Mit Ghamr in 1963. It was established by Dr Ahmad al-Najjar on the pattern of West German rural saving societies. The bank collected savings and provided finance to its members. The finance was either for consumption purposes but in small quantities or for investment purposes and on PLS basis. The recovery of loans by the bank was fairly good. But the Egyptian government had subsidized its operations. During the 5 years of its operations, the government subsidies totalled up £E 496 000. The bank was closed in 1968 by the Egyptian government. All its operations were on interest-free basis. It also collected zakah and managed it.
Mudarabah	A form of business contract in which one party contributes capital and the other personal effort. The financier is known as rabb al-mal and the worker or entrepreneur as mudarib. The proportionate share in profit is determined by mutual consent. But the loss is borne only by the owner of the capital, in which case the entrepreneur gets nothing for his labour. As a financing technique adopted by Islamic banks, it is a contract in which all the capital is provided by the Islamic bank while the business is managed by the other party. The profit is shared in pre-agreed ratios, and loss, if any, unless caused by the negligence or violation of the terms of the contract by the

mudarib, is borne by the Islamic bank. Ultimately, the bank passes on the loss to the depositors.

Murabahah

Sale contract of goods with an agreed upon profit mark up on the cost. In its original concept it was a cash transaction with the intention of sparing the buyer the trouble of investigating the genuineness of the price. The buyer would offer to sell the product at a certain price over and above his purchase price. But it has been developed into a financing technique by the present day Islamic banks. As practised by the Islamic banks, the murabahah sale is of two types. In the first type, the Islamic bank purchases the goods and makes them available for sale without any prior promise from a customer to purchase it. In the second type, the Islamic bank purchases the goods ordered by a customer from a third party and then sells these goods to the same customer. In the latter case, the Islamic bank purchases the goods only after the customer has made a promise to purchase them from the bank.

Musharakah

A financing technique adopted by Islamic banks. It is an agreement under which the Islamic bank provides funds which are mingled with the funds of the business enterprise and others. All providers of capital are entitled to participate in management, but not necessarily required to do so. The profit is distributed among partners in pre-agreed ratios, while the loss is borne by each partner strictly in proportion to respective capital contributions.

Qard Hasan

Lit: A virtuous loan. Tech: A loan with the stipulation to return the principal sum in the future without any increase.

Qur'an

The book of Allah revealed to the Prophet Muhammad and transmitted to the present age through an incessant chain.

Riba

Lit: An excess or increase. Tech: An increase which in a loan transaction accrues to the lender over time without giving an equivalent counter-value or recompense ('iwad) in return to the borrower.

Sadaqah

Lit: Charity. Tech: In its widest sense it means an attitude of mutual appreciation, affection, mutual assistance, an act of loyalty to God and to one's fellow beings, a sense of true human hood. At material level, it consists of two kinds: al-sadaqah al-tatawwu' given at the free will of the donor and zakah, the obligatory tax imposed by the Qur'an on the Muslims having wealth beyond a certain limit.

Shariah

Lit: The way. Tech: The way of Allah as shown by the Qur'an and the sunnah of the Prophet. It is generally spoken to mean the Islamic law.

Takaful

A form of insurance within the Islamic framework. Conceptually, a group of persons join hands to share risk mutually. They contribute a given sum of money periodically to cover defined risks. In case of loss covered by the scheme, the sufferer gets a financial compensation from the takaful. Others meet the loss and share the burden mutually. The funds collected remain invested in Islamically

permissible investments and any profit or loss after charging the takaful expenses is credited or debited to the accounts of the members. A number of Islamic takaful companies exist in several countries. The first one came into being in 1979 and by the end of 1993, there were 20 such companies in the world.

Wakalah Lit: Representation, agency. Tech: Contract of agency in which a person delegates his business to another and substitutes the other in his own place. The latter is called the wakil, or agent, and the former is called muwakkil, or principal.

Waqf Lit: Detention. Tech: Appropriation or tying up of a property in perpetuity so that no proprietary rights can be exercised over the corpus but only over the usufruct. The waq f property can neither be sold nor inherited or donated to anyone. Al-awqaf consisted of religious foundations set up for the benefit of the poor. Conceived in such a way, administration of the waqf, together with the salary that it involved, was often reserved for the founder and his family until the founder's line of descent became extinct. They were often set up as an indirect way of avoiding too strict a division of the property under the Islamic law of succession, retaining it for the male members of the family in undivided form.

Zakah / Zakat Lit: To purify. Tech: A tax that is levied on all persons having wealth above an exemption limit (nisab) at a rate fixed by the Shariah to purify wealth and souls from impure love. The object is to take away a part of the wealth of the well-to-do and to distribute it among the poor and the needy. It is levied on cash, cattle, agricultural produce, minerals, capital invested in industry and business, etc. The distribution of zakah fund has been laid down in the Qur'an (9: 60) and is for the poor, the needy, the zakah-collectors, those whose heart have to be reconciled, captives and debtors, travellers when in difficulty, and in the way of God. The zakah is payable if the owner is a Muslim and a sane person. The zakah is the third pillar of Islam. The term sadaqah also occurs in the Qur'an and incorporates zakah. The sadaqah is of two kinds: sadaqah tatawu' (voluntary charity) and sadaqah mafrwdah (obligatory charity). In the terminology of fiqh, a clear distinction between sadaqah and zakah is made, since sadaqah generally refers to any kind of charity that is given voluntarily. The zakah signifies the obligatory contribution that every well-off Muslim has to pay to the Islamic state or distribute it among its beneficiaries.

The definitions provided in this Glossary are borrowed directly or adapted from the list of terminologies produced by Khan, M.A. and Watson, T., 2003. *Islamic economics and finance: a glossary* (Vol. 23). Routledge.

1 Introduction

This research constitutes a thesis submitted in fulfilment of the requirements for attaining the Doctor of Business Administration (DBA) at the Henley Business School, University of Reading. It focuses on the subject of Islamic finance in Canada and is intended to introduce the entire dissertation. This thesis begins with an introduction to Islamic finance and its importance. This will be followed by an examination of the existing literature and a discussion of the identified research gaps. It then outlines the research questions that address the identified gap. The thesis continues by highlighting the research methodology and hypotheses developed, as well as the proposed research design. It then describes the data to be collected. The thesis then concludes with the identification of key findings, their synthesis, and overall conclusions. Appendices and references are provided at the end of the thesis.

1.1 Background of the Study

Innovation has long been recognised as a critical driver of growth and competitiveness in the financial sector. It enables institutions to adapt to changing market dynamics, meet evolving customer needs, and respond to regulatory challenges (De la Fuente and Marin, 1996; Laeven, Levine and Michalopoulos, 2015; Kapidani and Luci, 2019). In this context, Islamic finance has emerged as a significant innovation in the global financial landscape, offering an alternative financial system grounded in Islamic law (*Shariah*). Islamic principles emphasise ethical and socially responsible financial practices, including the prohibition of interest (*riba*), excessive uncertainty (*gharar*), and speculative activities (*maysir*), while promoting risk sharing, asset-backed financing, and equitable wealth distribution (Ali, 2008). Over the past few decades, Islamic finance has experienced remarkable growth, with global assets surpassing US\$4.9 trillion in 2023 (LSEG and ICD, 2024). Despite this global expansion, the growth of Islamic finance in Canada remains limited, presenting a unique research opportunity to explore the underlying barriers to its development (Benaziez and Hassan, 2022).

Canada has a multicultural society and a growing Muslim population and may represent a promising market for Islamic finance. The 2021 Canadian census reported that Muslims constitute approximately 4.9% of the population, and the figure has steadily increased over the past two decades (Statistics Canada, 2024). This growth has been accompanied by a rising demand for Shariah-compliant financial products and services (also known as Islamic or halal finance), including Islamic mortgages, investment funds, and insurance (Thomson Reuters, 2016; Sawwaf, 2023). However, the supply of such products remains constrained,

with only very few institutions offering Islamic financial solutions. Unlike jurisdictions such as the United Kingdom (UK), where Islamic finance has been integrated into the mainstream financial system, Canada has yet to witness a similar level of institutional commitment or regulatory support in the area of Islamic finance. The discrepancy between demand and supply raises therefore important questions about the barriers inhibiting the proliferation of Islamic finance in the Canadian financial services sector.

The limited availability of Islamic financial products in Canada is particularly striking, given the country's well-developed financial system and openness to innovation (Canadian Bankers Association, 2025). Canadian financial institutions, including Schedule I banks², credit unions³, and financial technology (fintech) firms, have historically demonstrated an appetite for innovation, particularly in digital banking and payments systems. However, when it comes to Islamic finance, these institutions have largely refrained from introducing halal products (Benaziez and Hassan, 2022). This raises the question of whether the introduction of Islamic finance represents a form of novel product introduction that is particularly challenging for incumbent institutions. Viewing the development of Islamic finance through the lens of innovation theory provides an interesting and valuable framework for understanding the barriers that may be at play.

The barriers-to-innovation framework developed Das *et al.* (2018), and built upon the foundational work of Sandberg and Aarikka-Stenroos (2014) and Hölzl and Janger (2012), offers a useful lens for analysing the challenges faced by financial institutions in introducing new products and services. This framework identifies a range of barriers which can impede innovation, including organisational inertia, risk-avoidance cultures, legacy systems, as well as an absence of internal research and development (R&D) capabilities. This framework is applied to the Canadian context to allow for a systematic exploration of the factors that inhibit the development of Islamic finance within a new geographical setting. In so doing, barriers such as a lack of Islamic financial capabilities or resistance to change within

² Schedule I banks are Canadian commercial banks that are domestically owned, not subsidiaries of foreign entities, and are required to accept deposits from customers as part of their authorisation to operate (Garg, Kryzanowski and Zhang, 2024).

³ Credit unions are smaller, non-profit, member-owned, provincially regulated financial cooperatives that provide similar banking services offered by for-profit firms like Schedule I Banks (Flanagan and Raphael, 2024).

established institutions may be determined as playing a significant role in hindering the development of Islamic finance in Canada.

This study was motivated by the need to address critical gaps in the literature. While substantial research has been conducted on the development of Islamic finance in Muslim-majority countries and select non-Muslim-majority jurisdictions, such as the UK and the United States (US), there is a shortage of research exclusively focusing on Canada. Existing studies have primarily examined demand-side factors, such as consumer awareness and preferences, while neglecting the supply side dynamics. This study aims to fill this gap by focusing on the barriers faced by incumbent financial institutions in Canada in introducing Islamic financial products and services. This study seeks to contribute to both the academic literature on financial innovation and the practical constraints regarding the growth of Islamic finance in non-Muslim-majority countries.

In summary, Islamic finance in Canada offers a compelling case for analysing barriers to financial innovation. Understanding these barriers is critical to fulfilling the unmet demand in the country. This study aims to identify the specific barriers inhibiting the development of Islamic finance in Canada and propose actionable recommendations for overcoming these challenges. In doing so, it will positively contribute to the broader goal of advancing financial inclusion and innovation.

1.2 Problem Statement

The financial industry in Canada is widely regarded globally as one of the most stable industries, with a robust regulatory framework and a tradition of adopting new technologies and practices (International Monetary Fund Monetary and Capital Markets Department, 2025; Morales-Guzman, 2025). Despite this reputation, Islamic finance remains significantly underdeveloped in Canada. This is particularly concerning given the growing demand for halal financial products and services among Canada's rapidly growing Muslim population and the broader appeal of Islamic finance to non-Muslim consumers seeking ethical and socially responsible financial options (Saiti, Ardo and Yumusak, 2022). The limited availability of such solutions in Canada highlights a critical gap between market demand and institutional supply, raising important questions about the barriers inhibiting the proliferation of Islamic finance in the country's financial ecosystem.

While Islamic finance has gained traction in other non-Muslim-majority countries, such as the UK and the US (TheCityUK, 2022; Aqib Ali, 2023), Canadian financial institutions have been slow to respond to the growing demand for Shariah-compliant products in Canada. This lack

of responsiveness is especially striking given the evidence of unmet demand, as demonstrated by the increasing number of Canadian Muslims seeking alternatives to conventional financial products that align with their religious and ethical values (Benaziez and Hassan, 2022). Moreover, Islamic finance can contribute to financial inclusion by providing access to banking and investment services for individuals who may otherwise be excluded from the conventional financial system for religious or value-based reasons. Despite these opportunities, the Canadian financial sector has yet to meaningfully integrate Islamic finance into its mainstream offerings.

As will be demonstrated, the limited development of Islamic finance in Canada cannot be simply attributed to a lack of consumer demand. Instead, the lack of availability of this form of financing may point to material supply side barriers that inhibit financial institutions from introducing these products and services to the market. These barriers may be grouped into two distinct categories: barriers that are general to financial innovation in Canada, and those that are specific to Islamic finance. General barriers include internal organisational challenges, such as risk-averse cultures and resistance to change within established institutions. Barriers specific to Islamic finance include a lack of, and unwillingness to develop institutional expertise in Islamic finance, as well as organisational resistance to change rooted in the unfamiliarity of Shariah-compliant products or bias against them. External firm factors, such as regulatory and Shariah compliance costs, that are not conducive to the unique requirements of Islamic finance, may also exacerbate these challenges. For example, the prohibition of interest in Islamic finance necessitates the development of alternative financial structures that may not align with existing regulatory policies in Canada.

This problem is further compounded by the lack of academic research focused on the supply side dynamics of Islamic finance in Canada. While existing studies have explored consumer awareness and preferences for Islamic finance (Tahmina, 2013; Hamid *et al.*, 2017; Benaziez and Hassan, 2020; Kutty, 2020; Sawwaf, 2023), research examining the institutional and systemic factors that hinder Canadian financial institutions from introducing these products is limited. This gap in the literature limits our understanding of the specific challenges faced by incumbent financial institutions and prevents the development of targeted strategies to address and overcome these barriers. Without a clear understanding of these obstacles, efforts to promote the growth of Islamic finance in Canada are likely to remain ineffective and insufficient.

Therefore, this thesis seeks to address this critical gap by investigating the barriers to innovation within existing financial institutions as they relate to the development of Islamic

finance in Canada. Using the barriers-to-innovation framework developed by Das *et al.* (2018), this study identifies numerous supply-side barriers that inhibit the introduction of halal financial products and services. It provides valuable insights into the organisational, regulatory, and societal factors that shape and entrench these barriers. Furthermore, it proposes actionable recommendations for overcoming these barriers, thereby contributing to the broader goal of fostering financial inclusion and innovation within the Canadian financial system.

This examination addresses the significant gap between the demand for Islamic financial products and the limited supply of such solutions by incumbent institutions in Canada. This gap is indicative of broader barriers to innovation within the financial sector, which must be understood and addressed to enable the growth of this component of the financial sector. By investigating these barriers, this research aims to contribute to both the academic literature on financial innovation and provide practical efforts to advance Islamic finance in non-Muslim-majority countries such as that of Canada.

It is crucial to recognise that the supply-side barriers examined in this study are themselves not value neutral. They reflect prevailing institutional logics that prioritise profitability, reputational risk, and regulatory compliance, often at the expense of the higher objectives of Islam (*maqasid*), including justice (*qist*), equitable circulation of wealth, sustainability, and socio-economic welfare (Auda, 2008; Qoyum, 2018). In this regard, the study acknowledges that Islamic finance should not be confined to formal Shariah compliance at the contractual level but should instead be evaluated in terms of its contribution to welfare-enhancing and justice-oriented outcomes, although this is often not the case in practice.

1.3 Research Aims and Objectives

Focusing on supply side challenges, this research seeks to bridge the gap between the growing demand for Shariah-compliant financial solutions and the limited availability of such offerings in Canada. This examination is guided by the barriers-to-innovation framework developed by Das *et al.* (2018), which provides a theoretical lens to identify and analyse the obstacles faced by incumbent financial institutions. The specifics of this framework are described below. The contributions of this research are meant to be twofold: the development of academic knowledge on the one hand, and the recommendations of practical solutions for advancing Islamic finance in Canada on the other.

This study aims to uncover the internal and external factors that inhibit financial institutions from developing and offering halal financial products. Internal barriers may include obstacles

such as organisational inertia, risk-averse cultures, and a lack of and unwillingness to develop expertise in Islamic financing, while external barriers may involve regulatory and various market dynamics. Further, by applying the framework developed by Das *et al.* (2018), this study seeks to assess its applicability and value in understanding the specific challenges faced by Canadian financial institutions. The aim is also to extend the framework to incorporate the specificities of Islamic finance, such as its reliance on Shariah principles and ethical investment criteria.

Another aim of this investigation is to situate the findings within the broader financial innovation literature. By comparing the barriers to innovation faced by Islamic finance with those impacting conventional financial products and services, this study seeks to highlight the similarities, differences, and context-specific challenges within Canada's financial system. Moreover, the examination aims to focus on developing practical solutions for financial institutions, policymakers, and other stakeholders in order to address such obstacles to innovation. These recommendations may include organisational changes, capacity-building initiatives, support from authorities, and regulatory reforms aimed at creating a more conducive environment for the development of Islamic finance. Lastly, by addressing these supply side barriers, this study aims to fill a critical gap in the literature and provide a foundation for future studies. See Figure 1.1 below for a summary of the research objectives.

Figure 1.1: Research objectives

Research Aims	1. To identify the barriers to innovation specific to the introduction and growth of Islamic finance within Canadian financial institutions.
	2. To analyse the applicability of the barriers-to-innovation framework in the context of Islamic finance in Canada.
	3. To compare the barriers impacting Islamic finance with those encountered in conventional financial settings.
	4. To propose actionable recommendations for overcoming the identified barriers thereby fostering the growth of Islamic finance in Canada.
	5. To contribute to the academic literature on financial innovation and Islamic finance in non-Muslim-majority countries.

Source: Author's research

1.4 Research Questions

To achieve the research objectives outlined in the previous section, the study is structured around five key research questions. In Figure 1.2 below, each research question is listed, as well as its classification as a primary or secondary. The primary research question was designed to address the core problem of this study: the barriers to innovation that hinder the development of Islamic finance in Canada. The secondary research questions were structured to provide a comprehensive understanding of these barriers, their implications, and potential solutions. Together, these questions aim to contribute to both the academic literature on financial innovation and provide practical efforts to advance Islamic finance in non-Muslim-majority countries. More detail on each of the research questions is included below.

Figure 1.2: Primary and Secondary Research Questions

Research Questions

Primary:

1. What are the main barriers to innovation that hinder the introduction and growth of Islamic finance solutions in Canadian financial institutions?

Secondary:

2. How can Das *et al.*'s (2018) barriers-to-innovation framework be applied to analyse the challenges faced by Canadian financial institutions in introducing Islamic finance?

Secondary:

3. How do traditional innovation barriers documented in the literature compare to those uncovered in the case of the development of Islamic finance within the Canadian marketplace?

Secondary:

4. What changes are necessary within incumbent financial institutions to overcome the identified barriers and to enable the proliferation of Islamic finance in Canada?

Secondary:

5. What are the practical implications of addressing these barriers and how can they contribute to financial inclusion in Canada?

Source: Author's research

The primary question aims to uncover the factors that impede incumbent financial institutions from developing and offering Shariah-compliant products and services in Canada. It focuses

on identifying specific challenges that inhibit innovation and lead to a lack of supply of these specialised offerings.

Several secondary questions have been selected to further support the main research questions, with the first of these seeking to explore the relevance and applicability of the barriers-to-innovation framework in the context of Islamic finance in Canada. It also aims to adapt the framework to account for the unique characteristics of Shariah-compliant finance. The next secondary question seeks to situate the findings within the broader Islamic finance and financial innovation literature. By comparing the Islamic experience with that of the conventional financial space, this study aims to highlight context-specific challenges and lessons that can inform the development of Islamic finance in Canada.

The next secondary question focuses on proposing actionable changes that financial institutions can implement to address these barriers to innovation, while the last secondary research question focuses on the broader implications of overcoming these barriers and explores how addressing these challenges can enhance financial inclusion and foster innovation within the Canadian financial services sector.

1.5 Theoretical Framework

The following section outlines the framework employed to investigate the barriers to the introduction of Islamic finance within established conventional financial institutions in Canada. The framework developed by Das *et al.* (2018) is built upon the foundational work of Sandberg and Aarikka-Stenroos (2014) and Hölzl and Janger (2012). Collectively, these studies offer a comprehensive understanding of the barriers to innovation within organisations. By adapting this framework, this study aims to properly understand the specific barriers applicable within this new context.

What makes it so difficult? A systematic review on barriers to radical innovation

Sandberg and Aarikka-Stenroos (2014) provide a dual-dimensional framework for categorising barriers to radical innovation. The first dimension distinguishes between internal and external barriers in relation to the firm, while the second dimension differentiates based on company size (small versus large). Their study examines the internal barriers to innovation across firms of varying sizes, thereby addressing obstacles relevant to larger, more established institutions as well as smaller and developing firms. The three internal barriers to innovation in large firms identified by the authors were:

1. Restrictive Mindset: This barrier encompasses entrenched attitudes and beliefs within an organisation that inhibit openness to new ideas and radical changes.

2. Lack of discovery competencies: This refers to a deficiency in the skills and capabilities necessary for identifying and pursuing innovative opportunities.
3. Unsupportive Organisational Structure: This involves organisational processes that are not conducive to fostering and sustaining innovation.

Innovation Barriers across Firms and Countries

Hölzl and Janger (2012) investigated how the perception of barriers to innovation varies systematically across European countries according to their stage of technological development. The authors investigated both innovative and non-innovative firms and the differences in the way firms perceive external barriers to innovation. They identified four salient and internal barriers, which were as follows:

1. Financial Barriers to Innovation: Limited access to financial resources needed for innovative projects.
2. Skill Barriers to Innovation: Inadequate skills and expertise are required to develop and implement innovative solutions.
3. Lack of Information on Markets: Insufficient market intelligence and understanding of customer needs and trends.
4. Lack of Information on Technologies: Inadequate knowledge of emerging technologies and their potential applications.

Barriers to innovation within large financial services firm

For their investigation, Das *et al.* (2018) combined the two set of barriers from the works of Sandberg and Aarikka-Stenroos (2014), Hölzl and Janger (2012). The set of barriers includes a restrictive mindset, lack of discovery competencies, unsupportive organisational structure, financial barriers to innovation, skills barriers to innovation, lack of information on markets, and lack of information on technologies. To assess and validate the combined set, Das *et al.* (2018) first conducted an in-depth case study of a large European bank. Their study evaluated and compared these innovation projects and provided insights into the complex issues surrounding innovation in large financial firms. In so doing, they substantiated the three traditional barriers defined by Sandberg and Aarikka-Stenroos (2014) into seven specific barriers and expanded the four barriers identified by Hölzl and Janger (2012) into eight barriers. This distinction between barriers gathered from the literature and those identified empirically provides a nuanced understanding of the barriers to innovation.

The final step in Das *et al.*'s (2018) framework development involved conducting semi-structured interviews with the project managers of selected innovation projects within a large European bank. These interviews were designed to capture detailed insights from those directly involved in managing innovation, thus providing a rich source of qualitative data. Such insights into perceived innovation barriers allowed the researchers to identify and understand the specific challenges faced by these managers. Additionally, these interviews served to validate the key barriers being investigated thereby ensuring that their findings were grounded in practical and real-world experiences. The integration of empirical data with theoretical insights ensured the development of a robust and comprehensive framework for understanding innovation barriers and enhanced the overall validity and applicability of their findings.

Das *et al.* (2018) ultimately identified six key barriers that consistently impeded the success of innovation projects within financial services firms. These barriers were: (1) a lack of exploiting new ideas, (2) inertia caused by systems architecture, (3) an unsupportive organisational structure, (4) too much focus on risk avoidance, (5) absence of fundamental research and development, and (6) the not-invented-here syndrome. Each of these barriers reflected a distinct organisational or systemic challenge that can stifle the development and implementation of innovative solutions.

Application to the Canadian Context

Given the comprehensive and empirically grounded nature of Das *et al.*'s (2018) framework, this current study adopts these six key barriers as a central analytical lens for investigating the impediments to innovation in a new context. Specifically, this research explores the applicability of each barrier to the Canadian context, examining whether and how these obstacles manifest in the development of Shariah-compliant financial products and services within existing financial institutions in the country. By systematically analysing the presence and impact of these barriers, the current investigation seeks to confirm the relevance of Das *et al.*'s (2018) findings in a new geographical setting while also extending the framework by identifying additional barriers unique to the development of Islamic finance in Canada.

This approach enables a rigorous and comparative analysis and allows for the extension of established theoretical constructs. Ultimately, the use of Das *et al.*'s (2018) six-barrier framework provides a strong foundation for examining the interplay of factors that shape innovation outcomes in Canadian financial institutions, with particular attention to the unique challenges posed by Islamic finance. It is important to note that while the Das *et al.*'s (2018) framework builds on the works of Sandberg and Aarikka-Stenroos (2014) and Hölzl and

Janger (2012), it is underpinned by foundational work from leading scholars in the field of innovation including Christensen (1997), Dewar and Dutton (1986), (Gatignon *et al.*, 2002), and others.

1.6 Scope of the Study

The scope of this research is carefully defined to ensure that the research remains focused, relevant, and manageable while addressing the critical gap in the literature on the supply side challenges of Islamic finance in the non-Muslim-majority country of Canada. The following dimensions outline the boundaries and focus of this study:

1.6.1 Geographical Scope

This research is limited to the Canadian financial sector, encompassing a range of institutions, including Schedule I banks, credit unions, boutique financial firms (e.g., fintech companies and smaller market players), asset management firms, and insurance companies. This study does not focus on specific provinces or regions but considers the broad context of Canada's financial system and regulatory environment. The findings reflect the challenges faced by both federally regulated financial institutions and those operating under provincial regulatory frameworks.

1.6.2 Thematic Scope

This study focuses on the supply side barriers to innovation in the development of Islamic finance. Specifically, it investigates the internal and external challenges faced by incumbent financial institutions in introducing Shariah-compliant financial products and services. Internal barriers would include factors such as organisational inertia, risk-averse cultures, and a lack of expertise in Islamic finance, while external barriers entail aspects such as regulatory frameworks and the absence of supportive external policies. This study did not examine demand-side issues, such as consumer awareness or preferences, as these have been explored in prior research.

1.6.3 Theoretical Scope

As highlighted earlier, the current study applies the barriers-to-innovation framework developed by Das *et al.* (2018), and employs the six identified barriers in their research to analyse the challenges faced by Canadian financial institutions in the introduction or growth of Islamic financial solutions. It should be emphasised that, although the original framework was designed to examine barriers to radical and disruptive innovation within the financial

services space, it has been adapted in this study to facilitate the identification of barriers unique to Islamic finance, regardless of how it is classified in terms of innovation type.

Islamic finance may be classified as either radical or disruptive innovation, but this is highly dependent on the existing business model and environment within which it is being considered. The introduction of Islamic finance may be deemed as a radical innovation if it requires a fundamentally different technology, model and approach compared to conventional financial products or services. On the other hand, such solutions may be regarded as disruptive if their introduction also leads to significant changes in market structure or provides more benefits to customers than previously available options, potentially impacting and shifting the marketplace. Further, even if Islamic finance may not strictly meet the definition of radical or disruptive innovation for all institutional contexts, the framework, as confirmed by its authors, is sufficiently versatile to be employed for this purpose.

During an interview with the principal author of the Das *et al.* (2018) framework, he highlighted that the categorisation of innovation may shift between classifications over time, depending on how the innovation is applied as well as its broader context within a firm. For example, a radical or disruptive innovation may become incremental as it is adopted and normalised over time, or vice versa. Das *et al.* (2018) further emphasised that the framework is adaptable and can be utilised irrespective of whether Islamic finance is strictly classified as radical, disruptive, sustaining, or incremental innovation. The principal author consequently believed that, based on the framework's design and prior applications, it would be appropriate for investigating barriers to the introduction and growth of Islamic finance in the Canadian setting.

1.6.4 Methodological Scope

This study employs a qualitative research methodology, focusing on primary data collection through semi-structured interviews with executives and senior leaders in the Canadian financial sector. The target population included individuals involved in product development, R&D, and innovation within various financial firms. This study does not include a quantitative analysis or consumer surveys, as the primary objective was to understand the institutional and systemic barriers to innovation from a supply side perspective based on the lived experiences of respondents rather than examine the demand side dynamics.

The qualitative approach allows for a deeper exploration of the complex factors that influence innovation within the industry. By focusing on in-depth interviews with key stakeholders, this research aims to uncover nuanced insights that may not be captured

through quantitative methods alone. This methodology also provides a rich narrative of the challenges and opportunities faced by product developers, offering a comprehensive understanding of the innovation landscape in this sector.

1.6.5 Exclusions

To maintain a focused scope, this study excludes the following:

- Demand-side factors: Consumer awareness, preferences, and behaviours related to Islamic finance were not examined, as the study was centred on supply side barriers.
- Specific Islamic finance products: While this study discusses the general principles and instruments of Islamic finance (for example, *Murabaha*, *Sukuk*, and *Takaful*, which are further defined and explained in the Literature Review chapter of this thesis), it does not conduct a detailed analysis of individual products.
- Non-financial institutions: This investigation does not include collecting data from non-financial entities, such as community organisations or advocacy groups, while acknowledging that they may play a role in promoting Islamic finance.
- The present study does not directly and extensively examine the role of political factors or political will, despite acknowledging their significance in shaping the macro environment for financial innovation. Political leadership plays an important role in enabling or constraining regulatory reform and hence the broader adoption of Islamic finance in Canada. The exclusion of these factors constitutes a notable limitation, as changes in political priorities or government support may have material implications for the regulatory landscape and ultimately the prospects for Islamic finance in Canada. This was done to maintain a focused scope on supply-side barriers within financial institutions, but the impact of such political factors is recommended as a key area for future research.

1.6.6 Practical Implications

The findings of this study are intended to inform financial institutions, policymakers, and industry stakeholders about the barriers to innovation in Islamic finance and to provide actionable recommendations for overcoming these challenges. By focusing on the supply side, this study aims to contribute to the development of a more inclusive and innovative financial system in Canada. The study's recommendations could also potentially catalyse changes in regulatory frameworks and market approaches within the financial sector. These insights may also encourage collaboration between existing conventional and Islamic financial institutions, fostering a more diverse and resilient financial ecosystem. Furthermore,

the research findings could serve as a foundation for future studies exploring further perspectives on Islamic finance in Canada, providing a more comprehensive understanding of market dynamics.

1.7 Limitations

While rigorous methodological choices were made to ensure the trustworthiness of the study, certain constraints inherent in the research design were acknowledged. These limitations highlight potential avenues for future research in this area.

1.7.1 Scope and Generalisability

This study adopts a qualitative approach, focusing on an in-depth exploration of the perceptions and experiences of a specific group of professionals in the Canadian financial sector. A primary limitation of this approach is that the findings are not intended to be statistically generalisable to the entire population of financial institutions in Canada or elsewhere (Creswell and Poth, 2016). The aim of this research is rather to generate a deep and contextualised understanding of the barriers to Islamic finance within the specific setting of the Canadian market. While some of the findings may offer valuable insights and theoretical concepts may be transferable to other similar contexts, they cannot be claimed to be representative of the entire industry without further, broader-scale research.

1.7.2 Sample Limitations

The research relied on a purposive sampling strategy to recruit participants with relevant knowledge and experience regarding the introduction of innovative or niche financial products. This strategy is appropriate for gaining deep insights, but it is subject to shortcomings. The sample size, though typical for qualitative enquiry, may not have exclusively allowed for all perspectives to be captured. This may have therefore limited the data from encompassing the full spectrum of views present across the diverse Canadian financial landscape, despite including input from large banks, credit unions, and smaller financial entities. Furthermore, this study intentionally limited the sample to senior-level professionals. Consequently, input from line-level personnel is absent, and the resulting sample may not fully represent the broader pool of potential participants. It is also important to note that the views expressed are those of the specific individuals interviewed and may not reflect the official position of their respective organisations.

1.7.3 Potential for Researcher Bias

In qualitative research, the researcher is the primary instrument for data collection and analysis, which introduces the potential for bias (Chenail, 2011). Although strategies such as reflexivity and peer debriefing have been incorporated into the methodology to mitigate this, the researcher's background, preconceptions, and interpretations may inadvertently shape the research process. For instance, the researcher's understanding of both conventional and Islamic finance could influence the questions asked during interviews and the subsequent interpretation of themes. The audit trail and transparent reporting of the analytical process were designed to make these interpretations as visible as possible, allowing the reader to scrutinise the findings independently.

1.7.4 Reliance on Self-Reported Data

The primary data source for this study consisted of semi-structured interviews, meaning that the findings were based on the self-reported accounts of the participants. This reliance on perceptions and verbal reports has its limitations. There can be a discrepancy between what people say and do or what occurs within their organisations. Participants may also be influenced by social desirability bias, consciously or unconsciously providing responses that portray themselves or their institutions in a more favourable light (Podsakoff *et al.*, 2003). While the interview design aimed to build rapport and use probing questions to encourage candid responses, this limitation is inherent in research that relies on interview data rather than other methods such as direct observation or documentary analyses.

1.7.5 Exclusion of the Political Environment

The exclusion of the political factors from the direct scope of this study may limit the ability to fully account for macro-level shifts in the regulatory or market environment. As the broader policy context can materially shape the prospects for Islamic finance, future research could address this more explicitly.

1.8 Significance of the Study

This study makes a material contribution to both academic theory and professional practice by systematically examining the barriers to innovation in the development and growth of Islamic finance in Canadian financial institutions. This study addresses a critical gap in the literature and offers actionable insights for stakeholders seeking to foster a more inclusive and innovative financial ecosystem in Canada. The next section details the importance of this investigation further.

1.8.1 Theoretical Significance

From a theoretical perspective, this study advances the understanding of innovation barriers in the context of non-Muslim-majority countries, where the institutional, regulatory, and cultural environments present unique challenges for the introduction of Islamic finance in Canada. By applying and extending Das *et al.*'s (2018) barriers-to-innovation framework to the Canadian context, this study provides empirical evidence of how traditional internal and external barriers interact and manifest in this multidimensional and highly regulated financial system.

This study also contributes to the broader literature on financial innovation by highlighting the role of societal attitudes, such as systemic racism and Islamophobia, in shaping the innovation process within the specific context of Islamic finance, which will be expanded on in Chapter 4. This study enriches existing models of innovation barriers by integrating considerations of diversity, inclusion, and minority market dynamics, which remain underexplored in mainstream innovation theory (Assink, 2006; Hueske and Guenther, 2015; Coad, Pellegrino and Savona, 2016).

Furthermore, this study offers a nuanced understanding of the feedback loops and interdependencies between different types of barriers, providing a foundation for future comparative and longitudinal studies on financial innovation in diverse contexts. It is important to note that existing academic literature remains inconclusive regarding the optimal strategies for overcoming these interconnected barriers, and this study lays the groundwork for further enquiry (Błach, 2020).

1.8.2 Practical Significance

In terms of practical significance, the findings of this study have direct implications for financial institutions, policymakers, and community stakeholders in Canada. By identifying the specific organisational, regulatory, and societal barriers that impede the development of Islamic finance, this study provides actionable recommendations for overcoming these challenges.

For financial institutions, this study offers guidance on building internal capacity, leveraging external expertise, and adopting inclusive innovation practices to better serve the needs of diverse client segments. For policymakers and regulators, this research highlights the importance of regulatory clarity, inter-governmental coordination, and the creation of supportive ecosystems for Shariah-compliant finance. For community organisations, this

study underscores the value of sustained engagement and advocacy to ensure that Islamic finance products are authentic, accessible, and responsive to community needs.

More broadly, this study contributes to the advancement of financial inclusion in Canada by addressing the unmet demand for Shariah-compliant financial services among Muslim consumers. By fostering a more inclusive financial sector, this study supports the goals of equity and economic empowerment, which are increasingly recognised as priorities in both academic and policy discourse.

1.9 Structure of the Dissertation

This dissertation is organised into six chapters, each of which builds upon the previous one to provide a comprehensive exploration of the barriers to innovation in the development of Islamic finance in Canada. The structure is designed to ensure a logical flow of ideas from the introduction of the research problem to the presentation of findings, analysis, and recommendations. This sequential approach allows for the gradual development of key arguments and the integration of theoretical and empirical insights throughout the thesis. A brief overview of each chapter is provided below.

Chapter 1: Introduction

This introductory chapter establishes a foundation for the research. It provides an overview of the study background, articulates the research problem, and outlines the objectives and research questions. The scope of the study is also defined here, and the chapter concludes with an overview of the dissertation's structure. This chapter thus sets the stage for understanding the significance of this research and its contribution to the academic and practical discussion on Islamic finance and financial innovation.

Chapter 2: Literature Review

The second chapter critically reviews the existing literature on Islamic finance, financial innovation, and barriers to innovation. It begins with an overview of Islamic finance principles and instruments, followed by a discussion on their development in non-Muslim-majority countries, including within Canada. The chapter also examines the barriers-to-innovation framework by Das *et al.* (2018) and its relevance to the financial sector. The theoretical framework outlines the conceptual lens through which the research was conducted. The chapter hence provides a detailed explanation of the barriers-to-innovation framework and its application to the context of Islamic finance in Canada, and it is this theoretical foundation that later guides the analysis of the barriers identified in this study. Finally, this chapter

highlights the need for the current study by identifying gaps in the literature and further situates it within the broader academic context.

Chapter 3: Research Methodology

This chapter describes the research design and methodology employed to achieve the study objectives. This section explains the qualitative phenomenological approach used, including the rationale for selecting semi-structured interviews as the primary data collection method. This chapter details the sampling strategy, target population, data analysis techniques, and ethical considerations observed during the research process. By providing a transparent account of the methodology, this chapter ensures the study's reliability and validity.

Chapter 4: Findings

The findings chapter presents the results of primary data collection. It provides an overview of the participants and summarises the key barriers to innovation identified through interviews. The findings are organised thematically, aligning with the categories of barriers outlined in the barriers-to-innovation framework. This chapter also highlights emerging themes specific to the Canadian Islamic financial context, such as market, capacity, organisational, regulatory, societal, and reputational barriers.

Chapter 5: Discussion

This chapter interprets the findings in light of the research objectives and theoretical framework. It analyses the implications of the identified barriers for the development of Islamic finance in Canada and compares them with conventional barriers to innovation. This chapter also proposes actionable recommendations for overcoming these barriers, targeting financial institutions, policymakers, and other stakeholders. By linking the findings to the broader literature, this chapter also contributes to the academic discourse on financial innovation and Islamic finance.

Chapter 6: Conclusion and Recommendations

The concluding chapter summarises the key findings and their implications. It revisits the research objectives and questions, highlighting how they were addressed in this study. This chapter outlines the contributions of the research to academic knowledge and practical applications, as well as its limitations. Finally, it provides recommendations for future research and emphasises the need for further exploration of Islamic finance in non-Muslim-majority countries as well as the role of innovation in addressing supply side challenges.

Supporting Sections

Appendices and references are the two sections that follow. The appendices section provides supplementary materials, such as the interview protocol, consent forms, and additional data that support the research, while the references section provides a list of sources cited throughout the dissertation, including peer-reviewed articles and books, as well as industry reports.

2 Literature review

The following chapter examines the existing literature relevant to the main research objective, thereby providing a strong theoretical foundation for later analysis. By positioning the research within the broader academic literature on Islamic finance, financial innovation, and the barriers to the development of Shariah-compliant financial solutions in non-Muslim-majority countries, this review establishes the necessary context for the study.

The rise of Islamic finance represents an important shift within the global financial industry, given that it offers an alternative economic system based on Islamic principles and ethics. Over the past three decades, the expansion of Islamic finance as a distinct model has attracted considerable scholarly attention, with its foundation in Shariah principles emphasising asset-backed and risk-sharing mechanisms (El-Gamal, 2006; Iqbal and Mirakhor, 2011). While the growth of Islamic finance has been most pronounced in Muslim-majority countries, there has also been a notable increase in the demand for Shariah-compliant financial products in Western jurisdictions (Khan and Bhatti, 2008; Beck, Demirgüç-Kunt and Merrouche, 2013).

Despite this growing demand, integrating Islamic finance into non-Muslim-majority countries' mainstream financial systems has encountered several challenges. In Canada specifically, a material gap exists between the Islamic financial needs of the expanding Muslim population and the supply of these products and services. Additionally, existing research has predominantly focused on demand-side factors, such as consumer awareness and preferences, while the supply side barriers faced by financial institutions remain relatively underexplored. This gap is particularly salient in the Canadian context as well, where the literature on Islamic finance is sparse and fragmented.

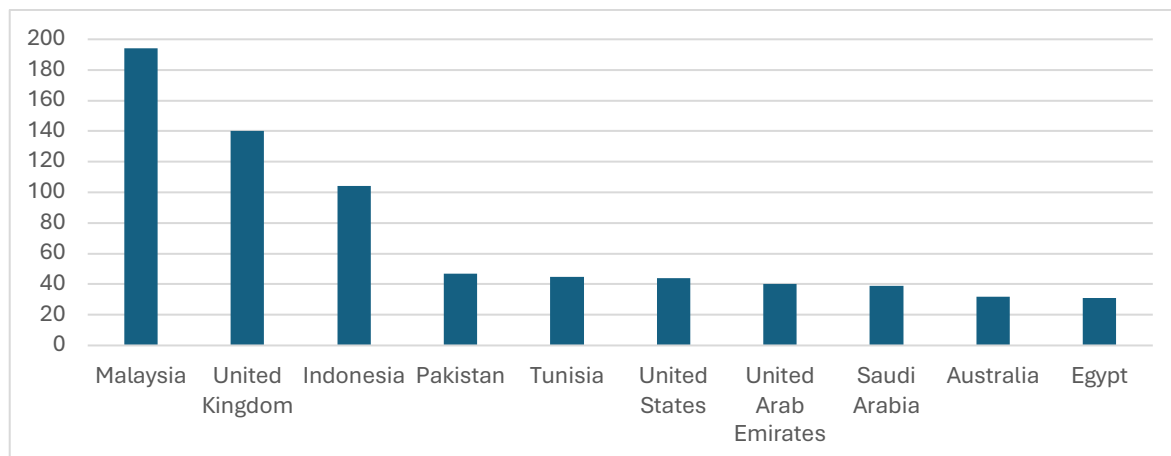
Accordingly, the aim of this chapter is to provide a comprehensive review of the literature on Islamic finance, with particular emphasis on its foundational principles and global development. The specific challenges encountered in non-Muslim-majority contexts will similarly be a focus. The chapter further explores the current state of Islamic finance in Canada, highlighting both market demand and institutional supply. It will also delve into innovation and its importance. It will subsequently review the theoretical frameworks for understanding financial innovation, including the barriers that impede the introduction of novel products in established financial sectors. The chapter concludes by identifying key research gaps and articulating the aims and contributions of this study.

By reviewing the existing literature, this chapter provides insights into the factors influencing the adoption and development of Islamic finance in Canada, as well as the potential opportunities and challenges it presents within the Canadian financial landscape. In so doing, it establishes the underpinning necessary for a detailed analysis of the barriers to Islamic finance and situates the research within the broader literature on financial innovation.

2.1 Existing Literature

A large number of Islamic finance investigations have been undertaken over the past few decades (Alshater *et al.*, 2021; Hassan *et al.*, 2021; Kuanova, Sagiyevea and Shirazi, 2021). An important aspect of Islamic finance enquiries is that they have traditionally been limited to studies conducted within the context of Muslim-majority countries, where this form of financing is both present and generally accepted (Ernawati and Asri, 2020). As highlighted in Figure 2.1, the UK has been a notable exception, accounting for a substantial amount of research in the last decade (Zuhroh, 2022). Not surprisingly, Islamic financial studies in Canada have yet to attract researchers' attention.

Figure 2.1: Scopus-indexed articles by country of publication (2012–2022)



Source: Zuhroh (2022).

Additionally, Warde (2000, p. 11) highlighted more than two decades ago that “the literature on Islamic finance is deeply disappointing principally because it is neither empirical...nor interdisciplinary.” While Warde’s critique was appropriate at the time, the field has made meaningful progress on both the empirical and interdisciplinary fronts (Alshater *et al.*, 2021). There has been a material rise in the rate of research on this topic in recent years, with the majority being published since 2017 (Sunarya and Rusydiana, 2022). This further highlights the noteworthy momentum that this discipline has gained. Nevertheless, gaps remain particularly with respect to the sparse examinations of the Canadian market as well as the limited attention to supply-side dynamics, both of which this study addresses.

Specifically, and up to the beginning of 2020, a total of 315 research articles related to Islamic finance have been published in academic journals over the past four decades (Khan *et al.*, 2020). Most of this research has focused on themes associated with Islamic banking and equities (representing more than 70 percent of the articles published). The remaining 30 percent covered themes associated with *Sukuk* (Islamic Bonds), Islamic corporate governance, *Takaful* (Islamic Insurance), and other aspects, as shown in Table 2.1.

Table 2.1: Breakdown of published Islamic finance journal papers

Area	By Jan 2020	1982-2014	2015-Jan 2020
Banking	125	36	89
Equities	101	13	88
Sukuk	29	5	24
Funds	15	5	10
Shariah compliant firms	7	0	7
Corporate governance	5	1	4
Takaful	3	1	2
Other	30	12	18
Total	315	73	242

Source: Khan *et al.* (2020).

Furthermore, Tijjani *et al.* (2021) outlined that Malaysia has been the predominant contributor to this growth in research, with half of the top 20 research-producing institutions being based there (see Table 2.2). Interestingly, non-Muslim researchers are conducting investigations in this field, suggesting that the discipline is gaining wider acceptance.

Table 2.2: Top 20 research producing institutions in Islamic finance

No	Institutions	Publications
1	International Islamic University, Malaysia	186
2	Universiti Teknologi MARA, Malaysia	112
3	Universiti Kebangsaan Malaysia, Malaysia	45
4	Universiti Sains Islam Malaysia, Malaysia	45
5	Universiti Malaya, Malaysia	39
6	Universiti Utara Malaysia, Malaysia	33
7	International Centre for Education in Islamic Finance (INCEIF), Malaysia	27
8	Durham University, UK	21
9	Al-Imam Mohammad Ibn Saud Islamic University, Saudi Arabia	21
10	University New Orleans, USA	20
11	King Abdulaziz University, Saudi Arabia	16
12	University Sultan Zainal Abidin, Malaysia	16
13	University of Sfax, Tunisia	15
14	University of Indonesia, Indonesia	14
15	International Islamic University, Pakistan	13
16	International Shari'ah Research Academy for Islamic Finance (ISRA), Malaysia	12
17	Islamic Development Bank, Saudi Arabia	12
18	University Brunei Darussalam, Brunei	11
19	Qatar University, Qatar	11
20	Universiti Putra Malaysia, Malaysia	11

Source: Tijjani *et al.* (2021).

As articulated by Blaikie and Priest (2019, p. 79), the aim of the literature review is to “provide a background and context for the research, and to establish a bridge between the project and the current state of knowledge on the topic.” This chapter sets out to achieve this and provides an assessment of research related to Islamic finance and innovation. This review thus enables the establishment of research aims that address the identified gaps in the literature. Although appropriate sources for a literature review depend on the topic and review in question, this review primarily focuses on peer-reviewed journal articles. These sources of investigation and knowledge are considered to be the most important source of information given that “it is through the peer-review process that the quality and relevance of the research can be judged” Easterby-Smith *et al.* (2018, p. 21).

2.2 Foundations of Islamic Finance

2.2.1 Theological and Legal Foundation

“God commands justice, kindness, and doing good to relatives, and forbids all indecency, injustice, and oppression. He instructs you thus so that you may be mindful.” (Qur’an 16.90).

Islamic finance is rooted in the theological and legal framework of Islam, which shapes the ethical underpinnings of financial transactions and operations of Islamic financial institutions. Originating in the 7th century CE in the Arabian Peninsula, Islam is a monotheistic Abrahamic faith whose followers, known as Muslims, adhere to the teachings of the Qur’an, which is believed and understood to be the literal word of God as revealed to Prophet Muhammad⁴ (Esposito, 2002). The religion teaches that a Higher Being is the sole creator of the heavens and earth and is responsible for the caretaking of all that has been created. Muslims refer to this Higher Being as Allah⁵ (Khadduri, 1984). Muslims hold that Allah has ordained a set of virtues, values, and ethical principles by which humanity is best served when it adheres to them (Islam and Islam, 2017). Muslims further believe that the main principles and objectives of this value system have remained constant since the creation of

⁴ It is both customary and recommended for Muslims to offer a prayer for the Prophet whenever his name is mentioned by saying: may the peace and blessings be upon him, or (pbuh) in written text. This practice will be refrained from in this text given the wider audience this research is addressing. Muslim readers are encouraged to offer the prayer as appropriate, and the author shall do the same.

⁵ Allah is the Arabic word which means The One God.

the first human being until this present day, and will remain so until the end of time (Qur'an 30:30, 5:48, 33:62, 42:23, 16:36)

The principles of freedom, justice, equality, and fairness, among others, are shared across many belief systems, nations, and cultures. Muslims believe that these virtues have been ordained by God and should be adhered to by all His⁶ creations. Furthermore, Muslims view Islam as a holistic religion and way of life, one that not only informs one's ritualistic practices but also extends to other aspects of one's life, including business transactions and financial activities (Esposito, 2002). Islamic teachings therefore recognise the supremacy of God and the totality of His commands, which have a direct impact on the entirety of a Muslim's life, both spiritual and physical, with no separation between the two.

The legal framework governing Islamic finance is known as Shariah, which is derived from several primary sources. The Qur'an and Hadith (recorded sayings and actions of the Prophet Muhammad) are the two most authoritative sources of Islamic law (Hakak et al., 2022). The Qur'an provides broad ethical guidelines and specific injunctions relevant to economic life, such as prohibitions on *riba*, *gharar*, and *maysir*, which will be defined below. The Hadith elaborates on these principles through the Prophet's practical examples (Hassan and Lewis, 2007; Ali, 2008).

In addition to the primary sources, Islamic jurisprudence (*fiqh*) recognises two additional sources, those being consensus (*ijma*) and analogical reasoning (*qiyas*). *Ijma* refers to the consensus of qualified Islamic scholars on legal matters, reflecting the importance of collective reasoning and scholarly agreement in the evolution of Islamic law (Hassan et al., 2019). *Qiyas* allows scholars to extend established legal principles to new situations by analogy (Boudt, Raza and Wauters, 2019). These four sources (*Qur'an*, *Hadith*, *ijma*, and *qiyas*) form the foundation of the Islamic legal system and thus underpin the legitimacy of Islamic financial practices. The classical contracts, developed by Islamic jurists, and known as the "nominate contracts", form the basis of Islamic financial instruments (El-Gamal, 2006, p. 17). They are described in section 2.3.2 below.

⁶ The Qur'an indicates that there is nothing like unto God, and hence Allah has no gender (Qur'an 42:11). It further specifies that Allah does not have a spouse (Qur'an 6:106) and begets not nor is begotten (Qur'an 112:3). The Qur'an, having been revealed in the Arabic language however, linguistically refers to Allah in the masculine pronoun.

Moreover, the theological foundation of Islamic finance is characterised by an emphasis on justice, equity, fairness, and welfare. The Qur'an repeatedly commands justice and fairness in all dealings (Qur'an 4:58, 5:8, 6:152, 16:90, 57:25), and these values are operationalised in financial transactions through the prohibition of exploitative practices and the promotion of risk-sharing and ethical investments (Chapra, 1986; Iqbal and Mirakhor, 2011).

Consequently, Islamic finance is not merely a set of technical prohibitions, but a comprehensive ethical system designed to promote the well-being of individuals and society.

Importantly, the process of interpreting and applying Shariah to financial products is dynamic and context sensitive. Shariah advisory boards, composed of scholars with specific expertise in Islamic law and finance, play a critical role in ensuring that financial products comply with the letter and spirit of the Islamic law (Grassa, 2016). However, differences in interpretation among scholars and across jurisdictions sometimes exist and can lead to differences in the application of Shariah principles. This is one of the contributors to the diversity of Islamic financial practices worldwide (El-Gamal, 2006).

2.2.2 Core Principles of Islamic Finance

Islamic economics, Islamic banking/finance, Halal⁷ banking, and Shariah-compliant finance are often used interchangeably (Derigs and Marzban, 2008) and denote a financial model that is principally different from its conventional counterpart. It represents a financial system driven exclusively by a specific value set mandated by the divine authority (Chapra, 1986). In its most general definition, Islamic finance is a form of financial activity that complies with the Islamic law.

The most fundamental principle of Islamic finance is the absolute prohibition of *riba*, commonly understood as interest or usury. The Qur'an unequivocally forbids *riba*, viewing it as an exploitative practice that leads to social injustice and economic inequality (Chapra, 1986; Hassan and Lewis, 2007). In Islamic finance, any stipulated and guaranteed form of benefit on a loan is considered *riba* and is therefore strictly prohibited, regardless of the rate or form it takes (Ali, 2008). Instead, Islamic finance promotes profit-and-loss-sharing arrangements, where both the provider and user of capital share the risks and rewards of investments (Iqbal and Mirakhor, 2011). It is worth noting that Islam is not the only religion to denounce interest on loans, as interest is prohibited in other monotheistic religions such as Judaism and Christianity (Jafri and Margolis, 1999; Calder, 2016). However, it does seem

⁷ Halal means permissible within an Islamic context. By contrast, haram means impermissible.

that Islam remains the only religion that continues to consistently and vehemently outlaw interest in modern times (Hassan and Lewis, 2007).

Therefore, under Shariah rules, paying or receiving interest on a lending transaction is strictly forbidden. Specifically, credit transactions must be free from any interest amounts, regardless of how it is calculated, that is, whether it is fixed or variable, simple or compound, or pegged to another benchmark (Obaidullah, 2005). Therefore, the aim of Islamic financial engineering is to reconstruct credit contracts into investment or exchange-based contracts, as profiting from investment activities is generally seen as acceptable, given that Islam principally holds no objection to rewarding entrepreneurial efforts that benefit society (Alamad *et al.* 2021). This transformation of credit contracts into investment or exchange-based contracts is a fundamental principle in Islamic finance and aligns with the prohibition of interest and is seen as promoting a more equitable and ethical financial system (Naqvi, 1977).

The second core principle is the prohibition of *gharar*, excessive uncertainty and ambiguity in contractual terms. *Gharar* is understood to undermine fairness and transparency in transactions and is therefore forbidden by Islamic law (Ali, 2008). This principle requires that all terms and conditions of a contract be clear and unambiguous, and that the parties to a transaction have full knowledge of the subject matter and associated risks (El-Gamal, 2001; Khanfar, 2016). The prohibition of *gharar* is particularly relevant to the design of financial products because it restricts speculative activities and ensures that contracts are based on actual economic activity. Common examples of *gharar* in financial transactions include instruments such as derivatives and short selling (El-Gamal, 2006; Uddin, 2015; Mowla, 2019).

Closely related to the prohibition of *gharar* is the ban on *maysir*, or gambling. *Maysir* refers to transactions that involve games of chance or speculation, where the outcome is determined by luck rather than productive effort (Tarique, Islam and Mohammed, 2021). Islamic finance prohibits such activities because they are seen to create unjust gain and undermine the ethical basis of economic exchange (Hassan and Lewis, 2007). This prohibition extends to derivative contracts and other speculative instruments that are common in conventional finances.

Another defining feature of Islamic finance is the requirement that financial transactions be backed by tangible assets and/or real economic activity. This asset-backing principle ensures that financial products are linked to productive investments and that returns are generated from legitimate trade or investment activities rather than from lending money on

an interest bearing basis (Iqbal and Mirakhor, 2011). Consequently, Islamic financial contracts are structured around the sale, lease, or partnership of real assets rather than the exchange of money for money.

Furthermore, Islamic finance emphasises the protection of property rights, the sanctity of contracts, and the upholding of individual responsibilities and duties (Zaher and Hassan, 2001). The system is designed to foster social justice, equitable wealth distribution, and financial inclusion, particularly for underserved populations (Mohieldin *et al.*, 2011; Iqbal and Mirakhor, 2012). By promoting risk sharing, discouraging excessive leverage, and encouraging ethical investment, Islamic finance seeks to create a more stable and inclusive financial system than conventional finance.

Islamic finance also imposes ethical restrictions on the types of activities that can be financed. Investments in activities that are considered harmful or unethical, such as alcohol, tobacco, gambling, and certain entertainment sectors, are strictly prohibited (Pesendorfer and Lehner, 2016; Qutaiba and Usama, 2024). This principle of ethical investment is enforced through a process of Shariah screening, which evaluates the permissibility of investments based on their revenue sources and business activities.

Moreover, investment vehicles face specific restrictions and must adhere to three levels of screening: investment returns, revenue sources, and capital structure. This means that investment returns must be derived only from non-interest bearing sources such as dividends or capital gains (Hasanah, Hadiani and Kusumawardhani, 2021). Furthermore, the underlying revenue sources of Islamic investments must avoid sources that do not comply with the rules of Shariah (Aloui *et al.*, 2016). Additionally, the source of capital (which could either be from equity or debt) must be predominantly from non-interest-bearing sources for the investment to be considered compliant with Shariah rules (Peillex *et al.*, 2019).

The specific thresholds required for an investment to be considered compliant are derived from Shariah Advisory Boards (Rammal, 2006; Grassa, 2016). Some of these boards are established by companies such as Standard & Poor Dow Jones, Morgan Stanley Capital International, and the Financial Times Stock Exchange. These boards are often used to create various Islamic market indices for the industry (Derigs and Marzban, 2008). In addition to developing such benchmarks, Shariah Advisory Boards play a crucial role in ensuring compliance with Shariah standards in the financial industry.

2.3 Islamic Finance: Development, Instruments, and Standards

2.3.1 Global Growth and Market Overview

While the origins of Islamic finance can be traced back to the inception of the religion, over 1,400 years ago, its contemporary form emerged with the establishment of a small interest-free savings bank in Egypt in 1963 and the founding of the Islamic Development Bank (IDB) by the Organisation of the Islamic Conference (OIC, now the Organisation of Islamic Cooperation) in 1974 (Asutay, Aysan and Karahan, 2013; Soage, 2020). Since then, Islamic finance has experienced remarkable growth over the past several decades, evolving from a niche practice in Muslim-majority countries to a noteworthy segment of the global financial system. The industry's expansion has been driven by a combination of demographic trends and increased demand for ethical financial products. This growth has not only been confined to countries with predominantly Muslim populations but has extended to Western and non-Muslim-majority markets, reflecting the universal appeal of Shariah-compliant finance and its alignment with broader ethical and responsible investment trends (LSEG and ICD, 2024).

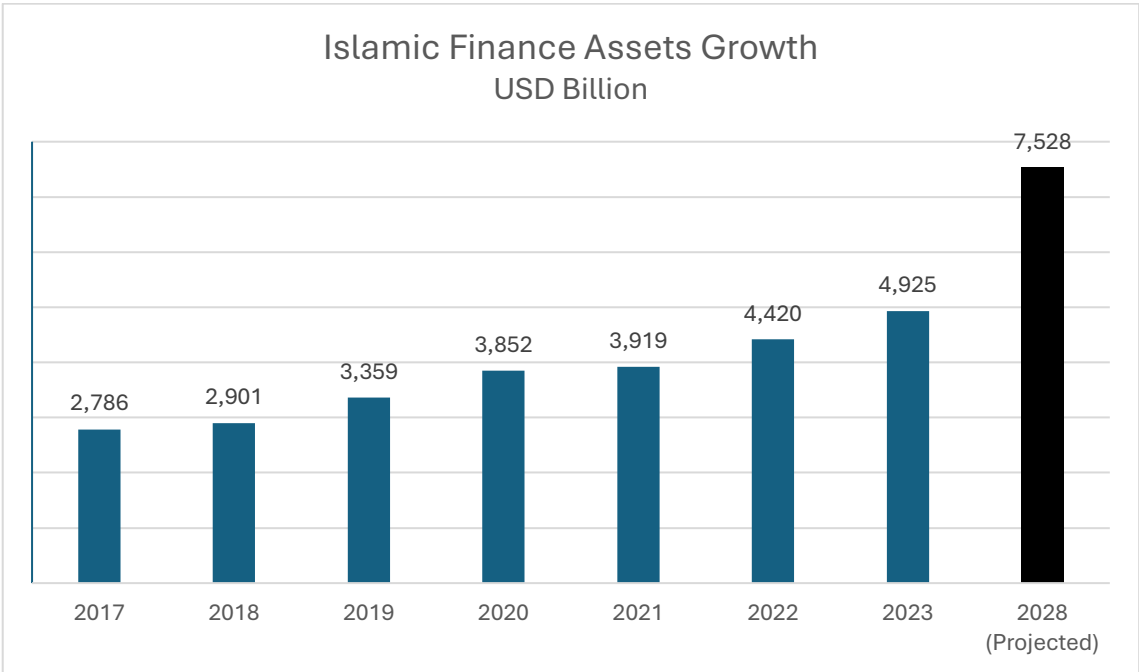
The current state of Islamic finance reflects a global industry that is growing rapidly. As of 2023, the Islamic finance industry reached a milestone of US\$4.9 trillion in assets, marking a significant 11% growth from the previous year. This expansion is accompanied by an increasing diversification of asset classes in this sector. In terms of composition, Islamic banking assets remain dominant, accounting for approximately US\$3.6 trillion or 73% of total Islamic finance assets. The sukuk market, representing Islamic bonds, constituted US\$863 billion, or 18% of total assets. Sukuk saw a 9% year-over-year increase in value in 2023 alone. While Islamic funds accounted for US\$254 billion (5%), increasing by 16% over 2022. Other Islamic financial institutions (including Islamic investment companies and fintech firms) contributed US\$153 billion (3%), while *takaful*, the Islamic insurance sector, held US\$86 billion (2%) of assets (LSEG and ICD, 2024, pp. 8–10).

With respect to geographical distribution, the industry's concentration remains largely within Muslim-majority countries, particularly in the Gulf Cooperation Countries (GCC) region and the broader Middle East and North Africa (MENA), which together control 77% of assets, 41% in the GCC, and 36% in the rest of MENA. Southeast Asia has emerged as a vital hub however, hosting approximately 17% of global Islamic finance assets, with Malaysia proving to be an important market there. Other regions, including Europe, South Asia, Sub-Saharan Africa, and the Americas, constitute the remaining 3%. It is worth noting that the UK recorded over US\$42 billion in Islamic finance assets while the US had nearly US\$10 billion (LSEG and ICD, 2024, pp. 30–31). This geographical diversification is complemented by the

rising number of Islamic financial institutions with at least US\$1 billion in total assets on their balance sheets, which reached nearly 204 in 2023, compared to 144 in 2013. This reflects the increasing globalisation of Islamic financial services.

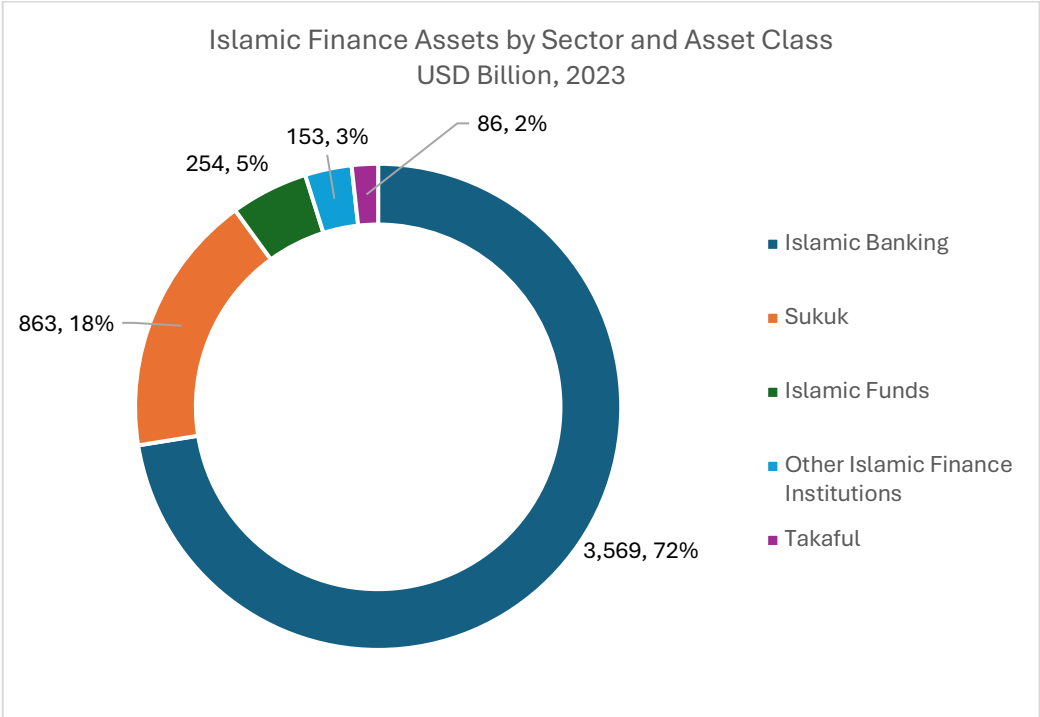
Such growth perhaps reflects an industry in transition from its traditional roots towards one that is truly global. Malaysia, Saudi Arabia, and the UAE topped the global Islamic Finance Development Indicator (IFDI) rankings as the most developed countries in the space, followed by Indonesia and Pakistan. These countries exemplify best practices with mature financial systems characterised by sound regulations and governance standards (LSEG and ICD, 2024). The charts below outline the growth of Islamic finance over the past few years and the breakdown of its assets by sector and country.

Table 2.3: Islamic Finance Assets Growth



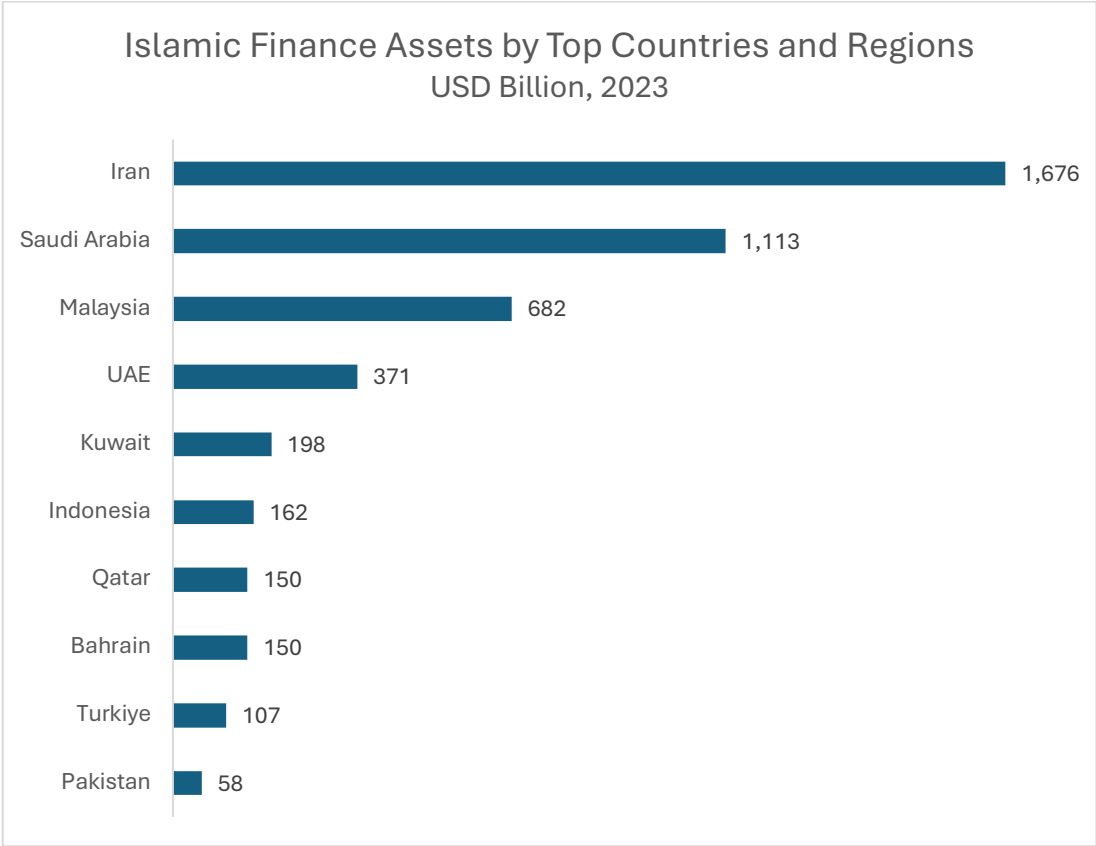
Source: LSEG and ICD (2024)

Table 2.4: Islamic Finance Assets by Sector and Asset Class in 2023



Source: LSEG and ICD (2024)

Table 2.5: Islamic Finance Assets by Top Countries and Regions in 2023



Source: LSEG and ICD (2024)

2.3.2 Key Islamic Finance Instruments

As mentioned, Islamic finance is characterised by a set of principal financial instruments and contracts (the so-called nominate contracts) designed to comply with Shariah principles. These instruments are structured to avoid interest, excessive uncertainty, and gambling, instead emphasising risk-sharing and asset-backing (El-Gamal, 2006; Hassan and Lewis, 2007; Iqbal and Mirakhor, 2011). The principal contracts used in Islamic finance can be broadly categorised into exchange-based (*murabaha*, *ijarah*, *salam* and *istisna*), partnership-based (*mudarabah*, *musharakah*), and agency-based contracts (*wakalah*), each serving distinct purposes in mobilising capital and facilitating trade and investment (Khan, 2003). It is important to note that although these contracts are sometimes seen as recent instruments of modern Islamic finance, their use can be traced back to pre-Islamic periods (Rammal, 2004), and several contracts were used by Prophet Muhammad himself (Zaher and Hassan, 2001).

Murabaha (Cost-Plus Sale)

One of the key exchange-based Islamic finance instruments is the *murabaha* contract, a cost-plus financing arrangement. It entails a financier acquiring an asset upon request from a customer and subsequently selling it to the customer at an increased price, thereby incorporating a markup or profit. The customer pays the financier in instalments, while profit is predetermined and agreed upon by both parties before a transaction occurs (Miah and Suzuki, 2020). This predetermined profit is typically a fixed amount or percentage of the cost of the underlying asset. Importantly, the financier must take effective ownership of an asset before selling it to the customer, which is a Shariah requirement (Aggarwal and Yousef, 2023). *Murabaha* is often used for various purposes, such as financing the purchase of consumer goods, real estate, or to facilitate trade transactions. It therefore provides a Shariah-compliant means for individuals and businesses to access financing for their asset acquisition needs (Khan, 2010).

Ijara (Leasing)

Another widely used contract in Islamic finance is *Ijara* which is effectively a leasing contract. In this arrangement, the lessor (such as a financial institution) leases an asset to the lessee (the client) for a specified rental payment and duration. At the end of the lease term, the lessee may have the option of purchasing an asset. As with a conventional lease contract, the lessor typically retains ownership of the asset during the lease period (Schoon, 2008). The lessee is responsible for making regular rental payments to the lessor during the lease term. These rental payments compensate the lessor for the asset's use but may not contribute to ownership. If the *Ijara* contract includes a purchase option, the asset may be

bought at an amount paid at the end of the lease term. This purchase price may be pre-agreed upon or determined based on fair market value.

There is a form of *ijarah* known as *ijarah muntahia bittamleek* (lease-to-buy) in which the lessee makes payments which combine both a purchase element with a rental element. As the purchase amount increases, the rental amount diminishes and this has proved to be a viable option for home financing (Ghani, 2018). *Ijara* contracts are important because they offer individuals and businesses a way to use assets without resorting to interest-based loans. These instruments also provide flexibility to lessees as they can acquire assets without large upfront payments (Pervez, 1990).

***Salam and Istisna* (Forward and Manufacturing Contracts)**

Salam and istisna are Islamic financial contracts that typically facilitate commodity or project financing. In *salam* contracts, the buyer pays in advance for goods to be delivered in the future, whereas in *istisna* agreements a buyer requires the manufacturing of a specific asset for delivery at a later date. The key feature of *salam* is that the payment occurs upfront or in instalments, when the good “is not available at the time of the conclusion of the sale”, while the delivery of the goods is deferred (Muhammad and Chong, 2007, p. 22). The purchase price in a *salam* contract is typically lower than the market price because the buyer pays it in advance. Such contracts are often used in agriculture and commodity trading, where a buyer may need to secure a particular commodity (e.g. grain or livestock) in advance for future use. *Istisna* on the other hand is employed when the asset is unique and is not readily available for purchase. It therefore involves the manufacturing of a customised asset according to a buyer's requirements. The buyer may pay the full amount upfront, in instalments, or upon the completion and delivery of the asset (Zarqa, 1997). This type of contract is commonly used in large-scale project financing, such as construction projects and infrastructure development.

***Mudarabah* (Profit-Sharing Partnership)**

Mudarabah is a profit-sharing partnership in which one party (e.g., financier or bank) provides the financial resources while the other party (e.g., entrepreneur or manager) provides labour and/or expertise. Essentially, the financier (*rab-ul-mal*) takes on the role of “the silent or sleeping partner”, while the manager (*mudarib*) is solely responsible for the day-to-day operations and decision-making (Bacha, 1997, p. 4). The profits derived from the venture are distributed between the parties according to a predetermined ratio, whereas any losses incurred are solely absorbed by the capital providers. In fact, given that the *mudarib* has no financial investment in the venture, she/he has no financial capital to lose except for

her/his time and effort. This loss-sharing arrangement is a key feature of *mudarabah* and distinguishes it from other Islamic financial instruments in which losses are shared by all the partners (Sapuan, 2016).

Mudarabah is commonly used in Islamic banking, particularly in investment and savings accounts where the bank acts as the entrepreneur and depositors as capital providers. In such cases, the bank invests these funds and shares the profits with depositors based on a predetermined ratio. The Italians used a similar medieval contract called the “*commenda*” mainly for overseas trading, which acted as a “limited liability contract...[and] was the direct precursor of the great joint stock companies.” (Puga and Trefler, 2014, p. 756). Islamic banks use *mudarabah* widely “in place of conventional interest-bearing deposit accounts, in order to mobilise funds on which [Islamic Banks] and their customers can earn Shari’ah-compliant returns” (Alhammadi et al., 2018, p. 2).

***Musharakah* (Equity Partnership)**

Unlike *mudarabah* contracts where capital is provided solely by one of the parties in the partnership, *musharakah* is a joint venture in which all participating parties contribute capital and expertise collectively to a business venture. This combined effort extends beyond capital contributions, as partners collectively share responsibilities and decision-making processes (Zaher and Hassan, 2001). The hallmark of *musharakah* lies in the sharing of profits and losses, with profits distributed based on a pre-agreed ratio, while losses are borne in proportion to each partner’s equity stake.

Additionally, *musharakah* is sometimes used to finance long-term projects as well as the funding of working capital (Usmani, 1999). Its core attributes include the element of risk-sharing and the ability of all parties to participate in the both the positive and negative outcomes. *Musharakah* is therefore an instrument that facilitates investing and financing arrangements that adhere to Shariah principles while promoting a sense of shared responsibility among all its stakeholders (Moriguchi et al., 2016).

***Wakalah* (Agency)**

Another important instrument used in Islamic financial contracts is the *wakalah*. It is an agency agreement where “a party (*muwakkil*) authorises another party as his agent (*wakil*) to perform a particular task” (Suhaimi et al., 2016, p. 162). *Wakalah* contracts effectively allow for the delegation of authority in financial transactions while ensuring compliance with Islamic law, and they resemble the *mudarabah* instruments discussed earlier. These contracts facilitate various financial activities, such as investment management, fund administration, wealth management services, and the management of *takaful* services.

Furthermore, they come in many forms including letters of credit, monetary certificates, term deposits, Islamic bonds, and Islamic insurance (Suhaimi et al., 2016).

Sukuk (Islamic Bonds)

Sukuk are also central contracts in Islamic finance and are essentially Islamic bonds that represent the ownership of an underlying asset or project. Instead of receiving coupon payments based on the creditworthiness of an issuer, *sukuk* holders receive a share of the income stream generated by the underlying asset or project, and the principal is returned to them upon maturity (Ahmed, Islam and Alabdullah, 2014). *Sukuk* are often traded in secondary markets and allow investors to buy and sell ownership positions in the underlying asset before their maturity. This therefore provides liquidity to the *sukuk* holders.

The income-sharing feature of *sukuk* ensures that investors' returns are linked to the performance of underlying assets or projects. This aligns with the risk-sharing and ethical principles of Islamic finance (Ahmed et al., 2019). There are two main categories of *sukuk* depend on the underlying nominal contract: exchange-based (using *ijarah*, *salam* or *istisna*) or equity-based (using *mudarabah* or *Musharakah*). "Exchange-based *sukuk* are *sukuk* that involve a transfer of assets from the *sukuk* issuer to *sukuk* investors", while the equity-based ones are where "investors inject funds into the issuing firm and become partners with the firm" (Morni, 2019, p. 111). In addition, *wakalah*-based *sukuk* have properties similar to equity-based *sukuk* that "help governments to pool infrastructure and energy projects to provide competitive and inclusive financing" (Mohd Zain, Abideen and Engku Ali, 2019, p. 291).

Takaful (Islamic Insurance)

Takaful (the word means 'solidarity') is an Islamic insurance system that operates on the principles of cooperation and shared responsibility (Salman, 2014). As with conventional insurance contracts, the primary purpose of *takaful* is to mitigate the financial impact of uncertainties (Archer, Karim and Nienhaus, 2011). Unlike conventional insurance however, where premiums are paid to the insurer in exchange for coverage, *takaful* participants collectively contribute to a pool of funds that acts as the source of coverage for potential losses. *Takaful* arrangements are "based on a cooperative model, [where] the fund is simply managed by a corporation, while the actual ownership lies with the participants of the fund who must pay out claims" (Masud, 2010, p. 1143). *Takaful* therefore adheres to Shariah principles, ensuring that insurance protection is provided in a manner that is compliant with Islamic standards while providing participants with a means of adequate protection.

Summary of Islamic Financial Instruments

These are the main Islamic financial instruments and contracts, as outlined in Lastly, it appears that on the asset side, various forms of *murabaha* remain predominant, despite not representing the most ideal financing arrangement from a risk-sharing perspective (Saifuzzaman, Mahmood and Rosli, 2023). More broadly, Islamic financial institutions display a preference for exchange-based contracts over equity-based structures primarily due to the latter's inherent agency issues and higher transaction costs (Abedifar *et al.*, 2015). On the funding side, *murabaha* continues to serve as the principal mechanism through which Islamic banks mobilise funds, though this approach presents certain challenges, as highlighted in the literature (Alhammadi *et al.*, 2018). Additionally, equity-based contracts are sometimes employed in *sukuk* issuances, particularly when Islamic banks utilise them to strengthen their regulatory capital base.

Table 2.6, which are used in various transactions and investments. While the specific structure and application of these instruments can vary based on local regulations and interpretations of Islamic law, these instruments are frequently customised to meet the needs of specific transactions. As described previously, these key Islamic finance instruments represent some of the key instruments in Islamic finance and emphasise cooperation, shared ownership, and risk sharing among partners, all of which are key features of Islamic finance. Therefore, these contracts provide a framework for individuals and corporations to engage in economic activities while adhering to Islamic principles.

Lastly, it appears that on the asset side, various forms of *murabaha* remain predominant, despite not representing the most ideal financing arrangement from a risk-sharing perspective (Saifuzzaman, Mahmood and Rosli, 2023). More broadly, Islamic financial institutions display a preference for exchange-based contracts over equity-based structures primarily due to the latter's inherent agency issues and higher transaction costs (Abedifar *et al.*, 2015). On the funding side, *murabaha* continues to serve as the principal mechanism through which Islamic banks mobilise funds, though this approach presents certain challenges, as highlighted in the literature (Alhammadi *et al.*, 2018). Additionally, equity-based contracts are sometimes employed in *sukuk* issuances, particularly when Islamic banks utilise them to strengthen their regulatory capital base.

Table 2.6: Main Islamic financial instruments and contracts

Instrument	Structure/Type	Classification	Typical Application
Murabaha	Cost-plus sale	Exchange-based	Trade finance, consumer goods, real estate
Ijara	Leasing	Exchange-based	Equipment, vehicles, property

Salam	Forward contract	Exchange-based	Agricultural finance
Istisna	Manufacturing contract	Exchange-based	Construction, infrastructure
Mudarabah	Profit-sharing	Partnership-based	Investment accounts, trade finance
Musharakah	Equity partnership	Partnership-based	Business ventures, asset acquisition
Wakalah	Agency	Agency-based	Investment management, takaful
Sukuk	Asset-backed fixed income securities	Capital market	Sovereign/corporate fundraising
Takaful	Mutual insurance		Personal and commercial insurance

Source: Author's research

2.3.3 Shariah Standards and Regulatory Bodies

One of the main principles in Islamic finance is that most things are permissible (*halal*) except those that are unlawful (*haram*). Hence, when considering financial instruments, unless a product, service, structure, or the like is specifically prohibited under Shariah rules, the general rule is that it is considered acceptable (Kamali, 2021). Scholars, as in many areas of Islam, often hold differing opinions on religious matters and will continue to reassess the degree of permissibility of various issues. This applies equally in the field of Islamic finance.

The integrity and credibility of Islamic finance depend fundamentally on its adherence to Shariah principles, which are operationalised through a system of standards and regulatory oversight. Given the diversity of legal traditions and interpretations across jurisdictions, the development of internationally recognised standards has been a central concern for the industry (Grais and Pellegrini, 2006; Hassan *et al.*, 2019). Therefore, the establishment of Shariah standard-setting bodies has been crucial to ensure the authenticity of Islamic financial institutions and the products and services they provide to the marketplace. Two of the most influential organisations in the global Islamic finance industry are the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) and the Islamic Financial Services Board (IFSB).

The AAOIFI was established in 1991 and is based in Bahrain. It is a global non-profit organisation responsible for developing standards related to accounting, auditing, governance, ethics, and Shariah for financial institutions and the Islamic finance sector (Pomeranz, 1997). The organisation has issued numerous Islamic finance standards in the areas of Islamic law, governance and ethics. Its standards are widely adopted or referenced in over 45 countries, and provide a benchmark for consistency and transparency in Islamic financial reporting and product structuring (Albarrak and El-Halaby, 2019; Safdar, 2025).

The IFSB, established in 2002 and headquartered in Malaysia, also plays a pivotal role in setting standards and principles for the global Islamic finance industry, with a particular focus on key sectors, including capital markets, insurance and banking. By the close of 2023, the organisation had a large and diverse membership, encompassing 82 regulatory and supervisory authorities, 10 international inter-governmental organisations, and 99 market players, including financial institutions, professional firms, industry associations, and stock exchanges operating across 58 jurisdictions . This widespread representation underscores the IFSB's global reach and influence in shaping the regulatory landscape of Islamic finance. Additionally, the IFSB was positioning itself as a driver in the standardisation and harmonisation of Islamic financial practices on an international scale, albeit more than ten years after the AAOIFI. It adapts international standards of financial regulation and supervision, such as those developed by the Basel Committee on Banking Supervision and the International Organization of Securities Commissions, for application to Islamic financial institutions by national regulators and supervisors (Ahmed Khan, 2021).

It is important to note that several other standard-setting bodies also contribute to the development of Islamic finance standards. Other bodies, such as the International Islamic Financial Market (IIFM) and the Islamic International Rating Agency (IIRA), also contribute to the development of market infrastructure, product documentation, and credit rating methodologies tailored to Islamic finance. Despite this, the AAOIFI and IFSB stand out as the preeminent and authoritative organisations in the realm of Islamic finance standards (Grais and Pellegrini, 2006). These two entities are widely recognised and respected for their key roles in shaping and harmonising Islamic finance regulations globally.

At the organisational level, Shariah Supervisory Boards are established within Islamic financial institutions to ensure that firm products and services comply with Shariah. These boards typically comprise scholars with expertise in Islamic jurisprudence and finance, and their approval is required for all new products and transactions (Grassa, 2016). The role of these boards is not only to provide approvals but also to conduct ongoing audits and reviews in order to safeguard the institution's Shariah compliance and reputation.

However, differences in interpretation among scholars and across jurisdictions can lead to variations in the application of Shariah standards, thus contributing to a lack of standardisation in some areas (El-Hawary, Grais and Iqbal, 2007; Ercanbrack, 2019). This is reflected in the existence of multiple Shariah equity investment indices and screening methodologies, such as those developed by Standard & Poor's (S&P), Dow Jones, Morgan Stanley Capital International (MSCI), and Financial Times Stock Exchange (FTSE), each with its own criteria for Shariah compliance (Derigs and Marzban, 2008).

In addition to international standards, national regulators play a crucial role in shaping the development of Islamic finance. Some countries, such as Malaysia and Bahrain, have established comprehensive regulatory frameworks and dedicated Shariah advisory councils at the central bank level, which provide authoritative guidance and resolve disputes (Alharbi, 2016; Hassan *et al.*, 2019). Non-Muslim-majority countries do not yet have these regulatory frameworks or national Shariah boards, and Islamic finance is typically subject to the same regulatory requirements as its conventional counterpart, which can create challenges related to tax treatment and product innovation (Karbhari, Naser and Shahin, 2004). Nevertheless, the continued efforts of standard-setting bodies and national regulators have contributed to a more robust Islamic finance industry worldwide.

2.4 Islamic Finance: Importance and Comparisons

2.4.1 Why is Islamic Finance Important?

While it has been well established that financial development is a strong determinant of economic growth (De Gregorio and Guidotti, 1995; Levine, 1999; Calderón and Liu, 2003), the question that remains unanswered is whether Islamic finance has a comparable positive relationship with growth. Numerous studies have examined the impact of Islamic finance on a country's economic growth, with mixed results. While some studies have shown that the principles of Islamic finance can handicap economic activity (Kuran, 1995; Bjorvatn, 1998; Yusoff and Wilson, 2005), many others continue to provide evidence of a positive relationship between Islamic finance and economic development (Chapra, 2003; Khan and Bashar, 2008; Tag-El-Din, 2008; Hasan and Dridi, 2011; Gudarzi Farahani and Dastan, 2013).

Despite this ambiguity, a growing body of relatively recent literature supports the notion that Islamic finance positively affects economic growth (Nawaz *et al.*, 2019; Gani and Bahari, 2021; Ledhem and Mekidiche, 2021). In Muslim-majority countries, Islamic finance fosters economic development by encouraging investments in productive parts of the economy which often results in a significant correlation with GDP (Naz and Gulzar, 2022). Other studies conclude that both Muslim-majority and non-Muslim-majority countries may help spur growth by incorporating Islamic finance into their existing financial industries (Imam and Kpodar, 2015). It is important to note that much of the research highlighting the positive relationship between Islamic finance and growth has been limited to Muslim-majority and non-Western countries.

Furthermore, financial stability has been highlighted as a benefit of implementing Islamic financial principles in an economy (Zarrouk *et al.*, 2017). Islamic principles not only promote responsible investment practices through their emphasis on sound and ethical financial practices but also discourage speculative, debt-based behaviour. It is this form of public or private debt that has typically contributed to financial crises in the past, such as the 1997 Asian financial crisis, the 1998 Russian financial crisis, and the 2008 global financial crisis, to name a few (Radelet *et al.*, 1998; Bianchi, 2009; Furceri and Zdzienicka, 2012). The fundamental principles of Islamic finance regarding risk and profit sharing, its avoidance of leverage and speculative financial instruments, and the focus on asset backed transaction have all played crucial roles in protecting Islamic banks from financial instability.

As highlighted by Imam and Kpodar (2015), evidence suggests that the probability of systemic crises may be lower in environments where Islamic banks operate, however, this claim warrants context-dependent qualification. In practice, many Islamic banks predominantly use contracts resembling debt-based instruments, which can be functionally similar to conventional credit. Nonetheless, the activities responsible for the onset of that financial crisis are prohibited within the framework of Islamic finance. These include activities such as the securitisation of sub-prime loans, the use of excessive amounts of leverage, the utilisation of derivatives, and the disproportionate speculative activities, among others (Kolb, 2010). Therefore, by adhering to Shariah principles and operating within an Islamic financial framework Islamic banks facilitate a financial system that may be more stable and less prone to crises. It is however worth noting that some researchers have found that post-crisis, Islamic banks may experience larger declines in profitability, as was the case post 2008 (Hasan and Dridi, 2011; Salih, Ghecham and Al-Barghouthi, 2019).

The availability of Islamic finance, especially for non-Muslim-majority countries, can also offer significant trade opportunities with Muslim-majority countries. These non-Muslim majority countries may boost trade and economic cooperation by utilising solutions that attract investment from Muslim-majority countries (Sarker *et al.*, 2019). The recent travels of the previous Canadian Prime Minister to the Indo-Pacific region present a case in point. On his 2023 Association of Southeast Asian Nations (ASEAN) trip to Jakarta, Indonesia, he highlighted Canada's desire to work with international partners to identify opportunities to create economic cooperation and remove trade barriers. More specifically, the Prime Minister intended to strengthen bilateral relations by positioning Canada as an attractive destination for investment opportunities from abroad (Prime Minister to travel to the Indo-Pacific to strengthen ties, 2023).

Additionally, it has been highlighted in the literature that Muslim consumers routinely exclude themselves from conventional financial services because such firms operate in manners that directly contravene their religious beliefs and values (Kim, Yu and Hassan, 2018). The availability of Islamic banks, or conventional banks that offer Shariah-compliant solutions could foster the inclusion of more participant into the financial system and thereby improve the economic output of all the populations within which these firms operate (Iqbal and Mirakhor, 2012; Gudarzi Farahani and Dastan, 2013). It needs to be noted that realising such benefits depends on prime factors such as product relevance, affordability, trusted delivery, and socio-economic conditions that enable engagement.

For example, and as shown in the case of Spain, the availability of Islamic financial products and services aids the Muslim minority community in participating effectively in financial activities. Kaakeh, Hassan and Van Hemmen Almazor (2018) suggested that this could also help integrate them better into the community at large. The promotion of financial inclusion through Islamic finance for Muslims in jurisdictions where it is available has also been demonstrated by other researchers (Mohieldin et al., 2011; Kammer et al., 2015). At the same time, evidence from the U.K. indicates that availability has not consistently translated into engagement, with Muslim communities citing limited empowerment benefits and affordability constraints.

Furthermore, several reasons have been advanced suggesting an Islamic financial system as more compelling to some stakeholders than conventional interest-based systems. In a profit-sharing financial framework, capital returns are contingent on project productivity, whereas in an interest-based system, the capital provided is contractually protected from losses, subject to the solvency of the recipient of the financing. Hence, creditworthiness, not profitability, is a key issue in a decision to provide financing. Accordingly, researchers have claimed that the Islamic system yields a different structure for capital allocation. This is because capital allocation within an Islamic system depends on project viability as opposed to projects most likely to generate sufficient cash flows for servicing credit and principal payments “regardless of the outcome of the project” (Iqbal and Llewellyn, 2002, p. 141). However, Islamic financial institutions, like their conventional counterparts, must still exercise rigorous due diligence in partner selection and contract enforcement (Williamson, 1996).

Lastly, it has been suggested that an Islamic financial system may lead to a more equitable distribution of capital and can generate more wealth for its participants compared to a conventional financial system (Qorchi, 2005). The Islamic system has a powerful mechanism of diverting capital towards projects with the highest risk adjusted returns. In contrast, interest-based systems tend to prioritise projects with expected returns that are higher than

the cost of debt, potentially filtering out ventures that may be acceptable under a profit-sharing framework (Zaher and Hassan, 2001).

While the ethical foundations of Islamic finance are central to its importance, a strand of the literature argues that, in practice, Islamic banking has often converged toward structures and outcomes resembling conventional banking (Sokris and Arif, 2024; Asutay, 2025; Asutay and Yilmaz, 2025). The dominance of contracts that replicate debt-like economic effects and the widespread use of Murabaha contracts as a form of credit contribute to this criticism.

Although the tension between aims and operational realities of Islamic finance falls outside the scope of this research, it offers an important area of future research.

2.4.2 How is Islamic Finance Different?

As previously outlined, Islamic financial rules forbid the payment or receipt of interest and endorse ethical and socially responsible investment. In contrast, conventional counterparts operate through interest-based transactions and are not bound by such unique constraints (Rammal, 2006). More specifically, Islamic banks use profit-and-loss-sharing instruments and other Shariah-compliant financing methods (Al-Muharrami, 2014). These contracts allow the sharing of risks and rewards between lenders and borrowers, aligning the interests of both parties. This stands in contrast to conventional lending contracts, which typically involve fixed interest payments and do not share operating risks and rewards in the same way as an Islamic financial contract would. This aspect is seen as creating an emphasis on fairness and contractual equity, as well as mutual accountability between lenders and borrowers (Hachicha and Ben Amar, 2015). Studies have shown that Islamic banks perform better than conventional banks in terms of several factors, including profitability (Olson and Zoubi, 2008), asset growth (Hasan and Dridi, 2011), and capital adequacy (Parashar and Venkatesh, 2010). Moreover, after examining 280 banks in 20 countries with a dual banking system, and over a two decade period, Nosheen and Rashid (2019) found that Islamic banks have higher credit quality and capitalisation than their conventional counterparts, and have outperformed in terms of stability.

Similarly, many researchers have demonstrated the significant differences between Islamic banks and their conventional counterparts (Al-Jarrah and Molyneux, 2006; Muharrami, 2008; Baele, Farooq and Ongena, 2011; Arouri *et al.*, 2013; Abedifar *et al.*, 2015; Farooq and Zaheer, 2015). More specifically, a 2017 report finds that Islamic financial institutions are “functionally different from their conventional counterparts and the difference remains valid even after controlling for bank-specific variables” (Miah and Uddin, 2017, p. 181). Samad (1999) found that Islamic banks are more efficient on a cost basis, while Yudistira (2004)

demonstrated that Islamic banks' technical and scale inefficiencies are lower than those of conventional banks. A similar study by Al-Jarrah and Molyneux (2005) reported this to be true with respect to cost and profit inefficiencies in Islamic banks in Bahrain, Egypt, Jordan, and Saudi Arabia.

Despite the differences mentioned above, the Islamic finance industry has had its fair share of critiques in the academic literature, and some researchers argue that Islamic finance is not significantly different from conventional finance (Choudhury, 2006; Dusuki and Abozaid, 2007; Mohammed, 2011). El-Ghattis (2016) noted that, although Islamic banking is seen by many as a genuine alternative to conventional banking, this is nothing more than just a perception. Likewise, Dusuki and Abozaid (2007) claim that Islamic finance has only been established superficially, in form and not in substance. Other authors go further and suggest that Islamic finance "is merely a change of terminology (e.g. substituting 'profit rate' or 'markup rate' for 'interest rate') in what is essentially a standard debt contract; this gives a de jure distinction that is without a de facto difference" (Khan, 2010, p. 806). Similarly, a more recent investigation indicated that "numerous studies have shown the tendencies of Islamic finance to imitate its conventional counterparts in many aspects and have started to lose its identity" (Bin Hasan, 2016, p. 3).

An additional critique by El-Gamal (2006, p. 25) asserts that "Islamic finance may continue to be an inefficient replication of conventional finance, always one step behind developments in the imitated sector". The author further suggests that the Islamic finance industry may lose important clients unless it creates a bona fide solution to compete with conventional finance approaches and products. Other studies similarly indicate that the products used by Islamic banks are not significantly different from those used by non-Islamic banks and further suggest that Islamic banks are unlikely to attract Muslim adherents unless they can credibly demonstrate their Islamic-compliance claims (Zaman and Movassaghi, 2002).

2.4.3 Performance of Compliant and Conventional Investments

Much of the investigative work examining conventional and Shariah-compliant portfolios over the past few decades has compared the performance of Islamic stocks and indices with their conventional counterparts (Hoepner, Rammal and Rezac, 2011; Ho *et al.*, 2014; Narayan and Bannigidadmth, 2017; Alhomaidi *et al.*, 2019; Dharani, Hassan and Paltrinieri, 2019). These authors provide evidence that Islamic stocks perform more favourably than their conventional counterparts. However, conflicting research findings have emerged, indicating that there is no statistically significant differences in portfolio performance between compliant and non-compliant portfolios. For example, Guerard (1997), Sauer (1997), Ashraf (2016),

and Ashraf and Khawaja (2016) show that there is little evidence that Shariah or ethical screening causes superior returns.

The inconsistency in results is also evident when examining different market phases, such as periods of economic expansions and crises. For example, Hussein (2004) provides evidence that Shariah-compliant companies yielded abnormally positive returns in bull markets in the UK but underperformed in bear markets. In addition, while Milly and Sultan (2012) found that compliant companies are safer during periods of financial distress, other researchers reported no significant difference in performance during crisis periods (Albaity and Mudor, 2012), and Merdad, Hassan, and Alhenawi (2010) show that Shariah-compliant companies underperformed compared to conventional companies during bull markets.

Furthermore, Ali *et al.* (2018) examined the efficiencies⁸ of several Islamic stock markets and their conventional counterparts and show that many of the Islamic markets studied were more efficient than conventional ones. Other researchers however note that Islamic markets tend to be less informationally efficient in developed markets, and such inefficiencies could potentially be caused by a variety of factors, including investment barriers and higher trading costs (Rizvi *et al.*, 2014).

Similarly, Jawadi *et al.* (2014) examined the financial performance of both Islamic and conventional indexes from 2000 to 2011. Their analysis encompassed a range of performance metrics, including ratios formulated by Sharpe (1966) and Treynor and Black (1973), as well as the alpha measurement developed by Jensen (1968). The study revealed a noteworthy trend in the performance of these indices. They find that prior to the financial crisis, conventional indices demonstrated superior performance compared to Islamic indices. However, an interesting shift occurred during the 2008 financial crisis, when Islamic funds outperformed conventional funds. This observation aligns with the findings of other researchers, including Azad *et al.* (2017) and Ahmed and Farooq (2018).

Other researchers have extended these investigations by examining the Fama and French (2015) five-factor asset pricing model (market, size, value, profitability, and investment) between Islamic and conventional investments. In particular, Safiullah and Shamsuddin (2021, p. 23) found that Islamic equity portfolios “outperformed their non-Islamic equivalents after controlling for the five Fama-French asset pricing factors”. They also provide evidence that the average cost of equity of Islamic portfolios is lower than that of non-Islamic ones.

⁸ From an Efficient Market Hypothesis (EMH) perspective (Fama, 1970).

Finally, research examining the performance of Shariah-compliant portfolios relative to their conventional ones across several geographies found that Islamic portfolios are generally lower risk than their conventional others (Ashraf and Khawaja, 2016).

2.5 Islamic Finance in Non-Muslim-Majority Contexts

2.5.1 The Canadian Context: Demographics and Market Potential

The Canadian context presents an interesting landscape for the development of Islamic finance, as it is characterised by a multicultural demographic profile and a robust financial industry (Brosseau and Dewing, 2018; Friedrich *et al.*, 2025). Understanding demographic trends and market potential is essential for assessing the opportunities and challenges facing Islamic finance in Canada.

The Muslim population in Canada has experienced significant growth and diversification over the past several decades, making it one of Canada's fastest-growing religious communities. Muslims accounted for approximately 4.9% of the total Canadian population in the 2021 census, up from 3.2% in 2011 and 2.0% in 2001 (Chui, 2013; Statistics Canada, 2024). This represents a substantial increase in both the absolute numbers and as a proportion of the national population and stood at 1.8 million Muslims in 2021. This growth is distributed unevenly across provinces, with the highest proportions found in Ontario and Quebec. There, Muslim populations constitute 6.7% and 5.1% of the provincial populations respectively. Major urban centres such as Toronto and Montreal are where most of the Canadian Muslims reside.

As per the latest census figures, the median age of the Muslim population is 30, which is considerably younger than the national median age of 41. Approximately 26% of Muslims are under 15 years of age. Thus, the Muslim community is both one of Canada's youngest and largest faith groups (Statistics Canada, 2024).

The Canadian Muslim community is also ethnically and culturally diverse. South Asians form the largest racialised group within the Muslim population, accounting for approximately 38%, followed by Arabs (32%), West Asians (13%), and Black Canadians (12%). This diversity is further demonstrated by the countries of birth of Canadian Muslims. Canadian-born Muslims represent approximately 30% of the Muslim population, followed by significant proportions originating from Pakistan, Iran, Morocco, Algeria, Bangladesh, Syria, Afghanistan, India, and Lebanon. Linguistic diversity is a prominent feature of this community. Although approximately 47% of Muslims predominantly speak English at home, a wide range of languages are also utilised, including Arabic (18%), French (15%), Urdu (13%), and several

others, such as Persian, Bengali, Dari, Somali, Turkish, and Gujarati (Statistics Canada, 2024). These features highlight the dynamic and multifaceted character of the Muslim community in Canada.

The Muslim community's growth in Canada is expected to continue in the future. Estimates suggest that by 2036, Muslims could comprise up to 7.2% of the Canadian population, accounting for more than three million individuals (Maclsaac, Morency and Malenfant, 2017). This growth is driven by immigration and higher birth rates (Guo, 2011; Alzghoul *et al.*, 2021). This demographic expansion is significant not only in terms of absolute numbers but also in terms of religiosity. Muslim Canadians are increasingly seeking financial products and services that align with their religious values, particularly in areas such as home financing, investment, and insurance (Thomson Reuters, 2016).

The market potential for Islamic finance in Canada is considerable, given the size and growth of the Muslim population and potentially from the increasing interest in ethical and socially responsible investments among non-Muslims (Abdullah, Sidek and Adnan, 2012). Nonetheless, as evidenced in the UK context, a growing Muslim demographic does not automatically translate into proportional market demand or institutional development. It is therefore important to recognise that population size alone does not directly result in realised demand or successful market penetration. Rather, population growth and rising interest in ethical investment can be seen as potential enabling conditions for the development of Islamic finance in Canada. Demographic indicators may thus represent a necessary but not sufficient condition for market expansion. It is also worth noting that Islamic finance is not exclusive to Muslim consumers, as other jurisdictions demonstrate that non-Muslims are similarly drawn to Shariah-compliant products for their ethical and risk-sharing characteristics (Hidayat and Al-Bawardi, 2012; Uddin *et al.*, 2016).

Despite its evident demographic potential, the supply of Islamic financial products and services in Canada has been limited. The Canadian financial sector is dominated by a small number of large and highly regulated banks, none of which offer comprehensive Shariah-compliant retail banking services. Instead, Islamic finance offerings are primarily provided by smaller community-based entities and private capital groups, often at a premium and on a limited scale (Benaziez and Hassan, 2022). The lack of Shariah-compliant options has led some Muslims to forgo participation in conventional financial systems, resulting in lower levels of economic engagement and financial inclusion. Furthermore, the absence of mainstream Islamic financial products has created a demand-supply gap.

Interestingly, research indicates that Canadian Muslims are willing to pay a premium for Shariah-compliant solutions, particularly in home financing, but face barriers related to cost, accessibility, and product authenticity (Sawwaf, 2023). Moreover, the lack of regulatory clarity and tailored legal frameworks has discouraged larger financial institutions from entering the market, further constraining its growth (Benaziez and Hassan, 2022).

Furthermore, the Canadian government has signalled its willingness to explore alternative financing products, as reflected in recent federal budget statements and policy discussions (Canada, Department of Finance, 2024). The emergence of regulatory sandboxes and innovation hubs in provinces such as Alberta may provide a pathway for pilot projects and the gradual integration of Islamic finance into the mainstream sector (Langton, 2023). Despite these opportunities, several challenges remain. The Canadian regulatory environment is complex with overlapping federal and provincial jurisdictions, which can create uncertainty for new entrants (Canada, Financial Consumer Agency of, 2013; Bourque and Caracciolo, 2024). There is also a lack of awareness and understanding of Islamic finance among consumers and financial professionals.

2.5.2 Overview of Adoption in Western Jurisdictions

The adoption of Islamic finance in Western jurisdictions has been the subject of increasing scholarly and policy interest over the past two decades. And while the Islamic finance industry's origins and largest markets remain in Muslim-majority countries, several Western nations have emerged as important centres for Islamic financial services, driven by demographic changes and market interest (Grassa and Hassan, 2015; Alharbi, 2016).

The UK stands out as the most advanced Western jurisdiction in terms of Islamic finance availability. The government there has actively supported the sector by introducing enabling legislation and offering tax neutrality for Islamic products, as well as the facilitation of the establishment of fully fledged Islamic banks and Shariah-compliant windows within conventional banks (Kurochkina and Us, 2019; Asmyatullin, 2020). London is often recognised as a leading global hub for Islamic finance, hosting several Islamic banks and a vibrant sukuk market (Masiukiewicz, 2017), though much of this activity is oriented toward attracting cross-border capital, particularly from GCC investors, rather than expanding domestic retail access. The UK's approach has been focused on regulatory accommodation which has fostered an environment conducive to innovation and growth in Islamic finance (Belouafi and Chachi, 2014).

Other European countries have also made strides in developing Islamic finance within their jurisdictions, albeit with varying degrees of success. Luxembourg, and Germany have

introduced legal and regulatory frameworks to facilitate the issuance of sukuk and the operation of Islamic financial institutions (Grassa and Hassan, 2015; Kurochkina and Us, 2019). More specifically, Luxembourg has positioned itself as a centre for Islamic investment funds and sukuk listings, while Germany has licenced Islamic banks and supported Shariah-compliant mortgage products (Masiukiewicz, 2017). Despite these advances, the scale of Islamic finance in continental Europe remains modest and constrained by limited consumer awareness, and the absence of dedicated Shariah governance structures (Sobol, 2015).

In North America, Islamic finance has developed gradually. Both the US and Canada have witnessed the emergence of a number of smaller Islamic financial service providers, primarily focused on retail banking, home financing, and investment products (Hassan, Huq and Muneeza, 2022). However, the sector faces typical challenges in these markets, including tax treatment issues, absence of Shariah standardisation, and a lack of tailored legal frameworks (Tahmina, 2013; Benaziez and Hassan, 2022). In the US, Islamic finance has largely developed through niche providers and community-based initiatives, whereas in Canada, the sector remains nascent, with limited offerings and minimal engagement from mainstream financial institutions (Sawwaf, 2023). Elsewhere, Australia and Singapore have also taken steps to accommodate Islamic finance through regulatory adjustments, and Shariah-compliant products, particularly in home finance and investment, have developed over time (Sadiq and Black, 2013; Sain, Rahman and Khanam, 2016; Ginting et al., 2019).

Overall, the adoption of Islamic finance in Western jurisdictions has been shaped by a combination of demographic demand and some regulatory adaptation. While the UK provides a model of successful integration, other countries continue to grapple with challenges related to legal harmonisation and the development of Shariah governance infrastructure (Grassa and Hassan, 2015; Sobol, 2015).

2.5.3 Barriers and Enablers in Non-Muslim-Majority Countries

The development and proliferation of Islamic finance in non-Muslim-majority countries has been influenced by a combination of barriers and enabling factors. While some Western jurisdictions have made progress in integrating Islamic finance into their financial systems, others continue to face persistent challenges that hinder its adoption.

As outlined previously, a barrier to the growth of Islamic finance in non-Muslim-majority countries is the absence of a tailored regulatory and legal framework. Many Western jurisdictions apply conventional banking regulations to Islamic financial institutions, which can result in unfavourable tax treatment as well as legal uncertainty (Karbhari, Naser and Shahin, 2004; D'Alvia, 2020). For example and prior to the introduction of reforms, the lack

of tax neutrality for Islamic products, such as double stamp duty on property transactions in the UK, has historically placed Islamic home financing at a disadvantage compared to conventional finance (Belouafi and Chachi, 2014). The proactive regulatory reforms implemented in the UK have been instrumental in levelling the playing field for Islamic finance (Ainley et al., 2007).

Another significant barrier is the lack of standardisation in Shariah governance across various fields. Differences in interpretation among scholars and across jurisdictions can lead to inconsistencies in product offerings and uncertainty for both suppliers and consumers (El-Hawary, Grais and Iqbal, 2007; Ercanbrack, 2019). The absence of centralised Shariah boards in Western countries further complicates product approvals, however, international standard-setting bodies, such as the AAOIFI and IFSB, have played an important role in promoting best practices and harmonising Shariah standards across borders (Hassan *et al.*, 2019).

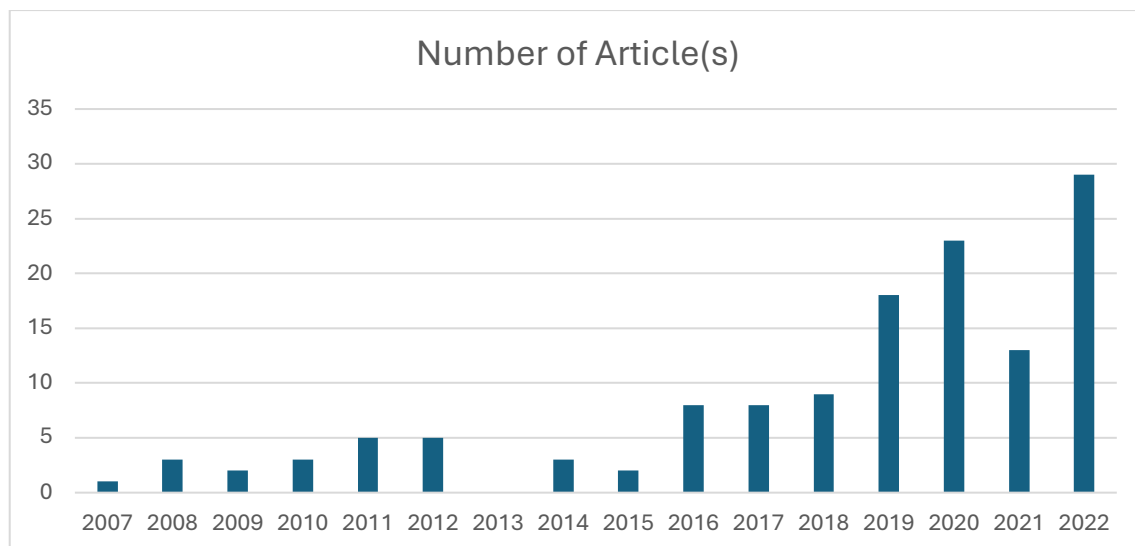
Limited awareness and understanding of Islamic finance among Muslim and non-Muslim populations in Western countries also impede its adoption (Sobol, 2015; Kaakeh, Hassan and Van Hemmen Almazor, 2018). Similarly, Kaakeh *et al.* (2018) explored the factors affecting the adoption of Islamic financial products and services in Spain among the Muslim minority population. Their research revealed that customer attitudes towards Islamic finance played the most significant role. In contrast, misconceptions that Islamic finance was exclusively for Muslims or that it was simply a rebranding of conventional products was seen to reduce demand and discourage mainstream financial institutions from entering the market (Sarker, Khatun and Alam, 2019). Efforts to raise public awareness and improve financial literacy regarding Islamic finance have also played a role in increasing its acceptance and eventual adoption (Yeni, Mulyani and Susriyanti, 2023).

Furthermore, the political dynamics in non-Muslim-majority jurisdictions can result in a distinct set of barriers to the emergence and growth of Islamic finance above and beyond the legal, regulatory and market-based constraints highlighted above. In several non-Muslim majority settings, policymakers have often been careful or hesitant to support Islamic finance openly. This hesitation usually reflects concerns about how the public might view such efforts or about appearing to give special treatment to a religious group (Ainley et al., 2007; Yu, 2025). As a result, governments may take a minimal regulatory approach and avoid investing political effort in creating tailored frameworks that would give Islamic finance equal footing with conventional systems (Visser, 2019).

2.6 Adoption of Islamic Finance in Muslim-Majority Countries

Investigations into the adoption of Islamic finance can be traced back to research in the early 1990s and highlighted that a better understanding of Islamic banking operations promotes the adoption of Islamic financial services (Haron, Ahmad and Planisek, 1994). In recent years, there has been a growing scholarly interest in understanding the drivers and barriers associated with the adoption of Islamic finance. As illustrated in Figure 2.2, the number of publications addressing Islamic banking barriers has risen markedly, with a particularly notable increase in articles published in 2022. This surge reflects a consistent upward trend in research output over the prior five years. Despite this, researchers have observed and commented on the slow progress in the development of comprehensive investigations on this topic, highlighting the lack of sufficient studies in this area (Ali *et al.*, 2023).

Figure 2.2: Trends in research on Islamic Banking barriers (2007–2022)



Source: (Ali *et al.*, 2023)

The literature highlights several factors directly related to the growth of Islamic financial products and services. These drivers can be classified according to research topics, including personal, institutional, and regulatory themes. Furthermore, the literature presents an extensive array of methodologies employed to identify and analyse these factors. The studies are listed below.

2.6.1 Personal Factors

The level of awareness of Islamic financial products and services among potential clients has been identified as a key drivers in the adoption of Islamic financing. A recent study by Said *et al.* (2022) examined such level of awareness and understanding of Islamic banking concepts and their influence on customers' choice of banking and their satisfaction with the

services provided by Islamic banks in Pakistan. The authors used a quantitative approach and collected data using a survey questionnaire. They found that customers with positive awareness and knowledge of Islamic banking practices were more likely to choose Islamic banks over conventional ones. Similar conclusions have been drawn from investigations in other countries. According to Al Balushi, Locke, and Boulanouar (2019), the owner-managers of small and medium businesses in Oman were similarly more likely to adopt Islamic finance if they had extensive knowledge of these products and services. These findings indicate that a high level of awareness and understanding can positively drive the adoption of Islamic finance.

Correspondingly, customer perceptions of Islamic financial practices were found to be the key drivers of Islamic finance adoption. For example, Akbar, Zulfiqar Ali Shah, and Kalmadi (2012) used a closed-ended, structured questionnaire survey to investigate user perceptions of Islamic banking practices in the UK. The researchers aimed to evaluate user perceptions of Islamic finance, and their findings suggest that the complex nature of Islamic banking products offered makes it difficult for customers to fully understand their benefits. Similarly, Belwal and Al (2018) explored the perceptions of customers towards Islamic banking in the Muslim-majority country of Oman. By conducting semi-structured interviews with 60 Muslim respondents who were asked about their perceptions of Islamic banking and their intentions to use it in the future, they found that customers in Oman have an overall positive perception of this financing mode. They also found that this was a significant determinant of Islamic banking adoption.

The other major personal factor directly impacting the adoption of Islamic finance solutions has to do with their underlying benefits. For example, Mahdzan, Zainudin and Au (2017) utilised a quantitative approach to investigate the factors influencing the adoption of Islamic banking services in Malaysia. By employing a self-administered questionnaire on 200 individuals, the authors found that a respondent's perceived advantage significantly influenced their adoption of Islamic banking services. In comparison, Amin and Hamid (2018) examined the factors that influence customers' decisions to choose Islamic financial products and services using a quantitative research design and employed a survey method to collect data. The study collected data from 650 university staff members who were proxy customers of Islamic banks in Malaysia and identified product attractiveness as a key factor influencing clients' willingness to embrace Islamic financial solutions.

Furthermore, Tara *et al.* (2014) also examined and identified factors that may influence the adoption of Islamic finance in Pakistan and concluded that several variables significantly influence customers' adoption rates. The variables included religious motives, reputation,

convenience, and price. Moreover, Butt *et al.* (2011) undertook a study in which they examined the barriers perceived by both users and non-users of Islamic finance products and services in Pakistan. The main factors affecting user adoption were the convenience of location and branch proliferation. Interestingly, among non-users of Islamic financial solutions, Muslims or otherwise, the perception that Islamic financial institutions do not properly adhere to Islamic principles was the biggest barrier. Other factors, such as the competitiveness of offerings and the risk of loss on deposits were not significant barriers.

Lastly, another driver of adoption was found to be the perceived religiosity of the products and services provided. A relatively recent study used a cross-sectional, correlational research design, utilising data collected from more than 250 micro-business managers to investigate the factors that influence the intention to adopt Islamic banking in Uganda, a developing, non-Muslim majority country with a significant Muslim minority (Bananuka *et al.*, 2020). The study found that religiosity is a significant determinant of the intention to adopt Islamic banking. Kaawaase and Lailah (2017) also examined the relationship between religiosity and Islamic banking adoption. The authors use the Theory of Reasoned Action to investigate whether religiosity positively and materially impacts intentions and the adoption of Islamic banking. The study concludes that Islamic banking can indeed be successfully adopted if banks effectively communicate the religious and ethical values of Islamic banking to potential customers.

It is important to note that in societies characterised by lower overall religiosity, the proliferation of Islamic finance may be more constrained. For instance, Canadian society as a whole has experienced a marked decline in religious affiliation over recent decades, with those religiously unaffiliated representing one of the fastest growing demographics: “religious nones or, in other words, those who say that they have no religion when asked, are one of the fastest growing demographics in Canada, especially among young adults” (Wilkins-Laflamme, 2023, p. 358). This phenomenon is even more pronounced in the province of Quebec, which has undergone a “significant drop in religiosity since the 1960s,” transitioning rapidly “from one of the most to one of the least religious communities in the world” (Bibeau *et al.*, 2023, p. 637). Therefore, while religiosity is a driver of the adoption of Islamic finance, its absence may constitute a barrier to its acceptance and proliferation.

2.6.2 Institutional Factors

On the supply side, several factors have been shown to be essential components for the growth of Islamic finance. The level of Shariah compliance by banks was identified as an example. For instance, Effendi *et al.* (2021) quantitatively studied the factors that influence

customers' decisions to use Islamic banks' services in Indonesia. By collecting survey data from customers who received non-interest-bearing Islamic loans, the authors noted that the degree of adherence to Shariah principles by banks was crucial for Islamic bank customers. Similarly, Ahmed *et al.* (2022) studied how Shariah compliance influences customer satisfaction with Islamic banking services in Bangladesh. They concluded that Shariah compliance positively and significantly affects customer satisfaction with Islamic banking services. Finally, studies have shown that low Shariah compliance impedes the growth of Islamic finance (Butt *et al.*, 2011, 2018).

In addition, an investigation by Ali (2018) provided a comparative analysis of service quality between Islamic and conventional banks in Brunei. The author uses a survey questionnaire of 255 customers from both bank types and found that not only do Islamic bank customers experience better service quality perceptions of the provided services than conventional bank customers, but they are also more satisfied with those services. The study concludes that there is a positive relationship between service quality and customer use of Islamic financial services in Brunei. Similarly, Haron, Abdul Subar and Ibrahim (2020) use a cross-sectional survey to collect data from 401 respondents using a self-administered questionnaire in order to investigate the impact of service quality and other factors on customers of Islamic banks in Malaysia. As expected, their results indicate a positive relationship between service quality and customer loyalty.

Furthermore, cost has been identified as another important driver of Islamic finance and banking adoption. A recent investigation analysed responses from more than 200 participants in Pakistan to study the impact of costs and their impact on the adoption of Islamic banking services. The authors highlighted a positive correlation between the two, but also report that the relationship between cost benefits and adoption intention was not direct, in that cost benefits improve the attitudes toward Islamic banks, which then increases the likelihood of adopting Islamic banking (Maryam *et al.*, 2022). A similar but less recent study from 2009 examined the banking environment in Bahrain and the factors that influenced customers to choose a particular bank. By analysing more than 600 survey responses, Al-Ajmi *et al.* (2009) highlight that, in conjunction with Islamic religious faith and clients' social responsibility, cost was identified as a primary determinant for bank selection.

Moreover, research found that corporate social responsibility (CSR) directly affected customers' adoption of Islamic finance and banking services. Di Bella and Al-Fayoumi (2016) employed a quantitative method to assess stakeholders' perceptions of CSR in Jordan's Islamic banks. Through the distribution of self-administered questionnaires to individuals at both the headquarters and branches of Islamic banks, the authors examined

differences in attitudes and factors associated with CSR perceptions. Their results show that Jordanian Islamic banks are viewed positively in terms of CSR among stakeholder groups and they considered this an important factor in Islamic banking.

Another factor that has been documented in the literature on the adoption of Islamic finance is employees' competence and professionalism. Kamarudin and Kassim (2020) conducted a study on customer satisfaction in Islamic and conventional banks in Malaysia. Based on more than 300 participant responses, this quantitative investigation compared the level of satisfaction with employee professionalism between the two types of banks. The authors concluded that there is a direct and positive relationship between employee professionalism and customer satisfaction. The authors highlight that employee competence and professionalism are therefore essential components for promoting the adoption of Islamic finance.

2.6.3 Regulatory Factors

Above and beyond personal and institutional factors, some researchers have established a connection between the regulatory framework and the expansion of Islamic finance across diverse legal jurisdictions. Asutay and Mohd Sidek (2021) used a comprehensive mixed-method examination to assess the influence of political regime types, the institutional environment, and the government, as well as the political risk regarding the advancement of Islamic banking in 16 Muslim-majority countries. The findings show a positive association between the presence of free electoral processes and political pluralism with the growth of Islamic banking, as proxied by financing or loan growth. Additionally, the research emphasised that the presence of "good quality public services, policy formulation and implementation, and credibility government's commitment to realising these policies are vital" in the development of Islamic finance in these regions (Asutay and Mohd Sidek, 2021, p. 1).

Another study employed a qualitative, interpretivist comparative case study analysis, utilising thematic content analysis, with Indonesia and Malaysia as the primary areas of focus (Sudi, 2025). The study demonstrated that there is a positive association between the effectiveness of fiscal policy and regulatory frameworks and the sustainability and competitiveness of Islamic banking. The author further noted that, "The findings reveal that both countries have strategically employed tax incentives, liquidity measures, and legal oversight to foster sectoral growth" (Sudi, 2025, p. 18), and further suggest that strengthening regulatory harmonization and improving coordination between oversight bodies is a way to attain further improvements.

In many Muslim-majority countries, political conditions often make it difficult for Islamic finance to develop and expand. Differences in governance quality, policy consistency, and adherence to international standards have created uneven regulations that increase compliance costs and slow market growth. Where political systems lack transparency or pluralism, Islamic banking tends to grow more slowly, and uncertainty or inconsistent policies can further impede growth (Asutay and Mohd Sidek, 2021). Limited political commitment and overlapping oversight can also create confusion in regulations, making it harder to introduce new products or enter the market. Moreover, authoritarian and illiberal regimes often “tolerate Islamic banks as part of a strategy to legitimise themselves” (Henry, 2001, p. 2). Taken together, these studies indicate that supportive and predictable political environments can foster Islamic finance, whereas unaccommodating and volatile contexts constrain its developmental potential.

2.7 Challenges Ahead for Islamic Finance

Despite experiencing significant growth and development worldwide, Islamic finance faces several challenges. These issues would need to be addressed to ensure its continued progress and integration into the global financial system. As demonstrated by Mohieldin (2012), one of these challenges is the tendency of Islamic finance firms to mechanically mimic conventional instruments while simultaneously packaging them as seemingly Islamic in nature. In addition, Abozaid (2016) outlined several internal and external challenges facing the Islamic finance industry. One of the main internal challenges highlighted was the methodology used in developing Islamic banking products, which often prioritises technical compliance over the spirit of Shariah.

The differing tax treatment between conventional and Islamic banks regarding interest deductions has also been shown to impact the profitability of Islamic banks (Zarrouk, Jedidia and Moualhi, 2016). Various tax laws predate the establishment of Islamic banking, and hence the prevailing tax systems typically favour conventional banks over Islamic banks. For example, tax rules often permit “interest to be tax-deductible, whereas profit, which is an alternative to interest under the Islamic banking system, is not tax-deductible” (Karbhari, Naser and Shahin, 2004, p. 525). This discrepancy would place an additional burden on Islamic banks or financial institutions with Islamic windows and will continue to be a challenge moving forward unless addressed appropriately.

Another significant challenge is the lack of appreciation of the potential benefits of Islamic finance for non-Muslims. Sarker, Khatun and Alam (2019) note, as was mentioned previously, that Islamic finance is subject to the misperception that it merely replicates

conventional banking, which, along with a general lack of awareness about its principles as and its social or ethical benefits, impedes wider acceptance. Additionally, researchers in 2004 examined the Islamic finance industry in the UK and found that the main challenges faced by the industry consisted of a heterogeneous client base and a lack of general awareness of Islamic finance (Karbhari, Naser and Shahin, 2004). Competition from conventional banks and the deficiency of qualified professionals in Islamic banking were also indicated as challenges that need to be overcome.

Furthermore, although the AAOIFI and IFSB have provided substantial guidelines for Islamic financial institutions, national regulators are not enforcing these guidelines in several jurisdictions (Mohammed, Mohd Fahmi and Ahmad, 2019). In addition, Karbhari, Naser, and Shahin (2004) show that because of the absence of tailored regulatory and supervisory frameworks in countries where Islam is not the predominant religion, Islamic banking faces several regulatory hurdles. This is similar to the conclusion of others who note that the absence of well-defined regulatory and supervisory frameworks for Islamic banks to operate in accordance with Shariah principles is a salient challenge for the development of Islamic finance (Ahmad and Hassan, 2007). Therefore, there is a need for improved Shariah supervisory work to ensure compliance with Islamic principles (Abozaid, 2016).

Overall, while Islamic finance has experienced notable growth and development, it faces a multitude of challenges that could impact its sustained advancement and integration into the global financial landscape. These challenges encompass both internal and external factors, including the tendency of Islamic finance firms to mimic conventional instruments, the misconception that it is exclusively for Muslims, and the absence of well-defined regulatory frameworks tailored to Islamic banking operations in the country.

2.8 Innovation Defined

The concept of innovation is not new and has its roots in classical economic theory. Early scholars in the field highlighted the importance of innovation in facilitating economic progress, and in his seminal work Joseph A. Schumpeter (1942) introduced the notion of creative destruction. This concept has since emerged as an important part of innovation theory (Schumpeter, 2021). Schumpeter defined this process as one in which new innovations replace old ones and argued that this process is not only a catalyst for growth but also a crucial ingredient for economic development (Gabriel Yoguel, Florencia Barletta, and Mariano Alberto Pereira, 2013).

The academic literature on the topic provides a broad spectrum of definitions and classifications of innovation, given the nuanced nature of this phenomenon. Practitioners and academics alike have consistently introduced new types of innovation or loosely used established existing classifications when incorporating the notion of innovation into their studies (Christensen, Raynor and McDonald, 2015). Innovation is hence defined as the integration of novel or improved products, processes, marketing strategies, or organisational approaches into business operations or structures (Jotabá *et al.*, 2022; Kaltenbrunner *et al.*, 2022). Furthermore, innovation has been defined as the successful implementation of new technologies or methods leading to the introduction of novel products, new processes, or the enhancement of existing ones (Munisamy, Fon and Wong, 2015; Taylor, 2017). Simply put, it has been seen as “three different things: innovation is an outcome, innovation is a process, and innovation is a mindset” (Kahn, 2018, p. 1).

Similarly, financial innovation involves the creation and application of novel financial products, services, technologies, or procedures to “increase the efficiency of the financial system in general, and by this, to enhance the economic growth and social welfare” (Błach, 2020, p. 4), and to “enhance the positive aspects of the financial system by...providing services and instruments better-adjusted to the system participants’ needs and goals” (Błach, 2020, p. 5). Moreover, it refers to “finding new products and features for existing financial solutions” (Satya Sekhar, 2013, p. 26).

Financial innovation is also a key driver of technological development and improved financial market access (Lerner *et al.*, 2021; Avom, Bangaké and Ndoya, 2023). It aids in the creation of new financial instruments and enhancing of existing ones in order to meet the changing needs of businesses and consumers (Beck *et al.*, 2016). The impact of financial innovation on firm performance can vary based on factors such as the type of innovation implemented, as well as the regulatory environment and market conditions within which innovation takes hold.

Financial innovation is hence a multifaceted concept encompassing a broad spectrum of activities aimed at improving financial systems and services, thereby providing market participants with better economic value. Through continuous innovation and adaptation to market dynamics, financial institutions can better address their customers’ needs and contribute to overall economic growth.

2.9 Islamic Finance and Innovation

Evidence of demand potential and intention to adopt Islamic financial products and services in the Canadian marketplace exists (Thomson Reuters, 2016; Sawwaf, 2023). As shown previously, research also demonstrates the capacity of Islamic banking to appeal to non-Muslim customers (Belwal and Al, 2018; Hariyana and Arsyianti, 2019; Zauro, Saad and Sawandi, 2020; Tanveer Ahmed, Sarkar Kabir, and Aqsa Aziz, 2021). Despite these conditions, positively impacting the demand for Islamic financial solutions in Canada, the availability of these products and services remains limited. This discrepancy highlights the importance of investigating why existing financial institutions in Canada have been slow to introduce Islamic financial solutions despite this prevalence of demand and the potential for broader adoption beyond the Muslim community (Tahmina, 2013; Hassan, Huq and Muneeza, 2022). One approach to examining this demand-supply imbalance is to view the introduction of Islamic finance as a form of innovation that is lacking in incumbent financial institutions. Further, by examining the barriers to such potential innovations from materialising, we can gain insights into the complexities influencing the introduction and growth of Islamic finance within the Canadian financial landscape.

Before seeking to classify Islamic finance within a particular category of innovation, it is essential to define the innovation typologies themselves. It is also important to point out that the existing literature allows for some freedom with respect to the definitions used for each category of innovation. It further describes the main categories of innovation based on established theoretical dichotomies. This study will therefore adopt the framework and classifications referenced in Das *et al.* (2018) those being the sustaining and disruptive innovation dichotomy (Christensen, Raynor and McDonald, 2015) and the incremental and radical innovation dichotomy (Dewar and Dutton, 1986; Das and Joshi, 2007). These dichotomies highlight different aspects of innovation and provide insights into how it can be understood and categorised (Markides, 2006).

Innovations within financial services can be grouped according to the extent and nature of change they introduce. Incremental innovations refer to small-scale modifications or refinements to existing technologies or processes, which typically build upon the current state without fundamentally altering it (Dewar and Dutton, 1986). Sustaining innovations are initiatives that substantially enhance products or services offered by incumbent firms, providing significant improvements for existing customers while enhancing established market positions (Christensen, Raynor and McDonald, 2015). By contrast, disruptive innovations are designed to use new technologies to meet the needs of new or previously underserved markets and over time transform and disrupt the competitive landscape by

replacing traditional market incumbents (Bower and Christensen, 1995). Lastly, radical innovations integrate novel technologies in order to deliver clearly superior benefits to customers, representing a strong departure from prior industry practice (Dewar and Dutton, 1986; Gatignon *et al.*, 2002; Chandy and Tellis, 2020).

As shown earlier, Islamic finance embodies a distinctive set of values rooted in Islamic law, which does not fully conform to the principles of conventional financial systems. It incorporates novel structures and mechanisms, such as the prohibition of interest-based transactions, reliance on profit-sharing arrangements, use of asset-backed financing, and avoidance of certain types of investments which are viewed as unethical in Islam (Chapra, 1986). These distinctive structures ensure compliance with Shariah principles and promote social justice, equitable income distribution, eradication of poverty, fairness, transparency, and equality within the communities where Islamic finance operates (Warde, 2000; Alam Choudhury and Hussain, 2005; Kahf, 2019).

These objectives are not exclusive to Islamic law, and they are also fundamental principles upheld by conventional financial systems worldwide. Therefore, from one perspective, the introduction of Islamic financial instruments can be seen as a type of incremental or sustaining innovation, in that Islamic finance operates within the existing complementary financial system, offering alternative products and services that cater to specific religious and ethical preferences without fundamentally disrupting the broader financial system. It may be further argued that Shariah-compliant contracts can be accommodated by modifying existing tax and regulatory frameworks in order to create a level playing field. In summary, the introduction of Islamic finance may not constitute a radical or disruptive form of innovation, and such innovations can co-exist within conventional systems.

However, an alternative view is that the introduction of Islamic financial products and services into the conventional financial system does represent a type of radical and/or potentially disruptive innovation. This perspective emphasises the fundamental divergence between Islamic and conventional finance, particularly in terms of their underlying principles, governance structures, and risk-sharing mechanisms (Iqbal and Mirakhor, 2012; Hafiz, Sadaf and M, 2013; Maghrebi, 2015). Unlike conventional finance, which permits interest-based transactions and some speculative practices, Islamic finance prioritises asset backing and ethical investment criteria (Alshater *et al.*, 2021), as mentioned above. Furthermore, conventional financial systems are predominantly based on the maximisation of one's choice and individual utility (Tlemsani and Suwaidi, 2016), whereas an Islamic financial model considers outcomes from all beneficiaries perspectives, including those of individuals and society at large (Rabbani *et al.*, 2021). Consequently, the integration of Islamic finance into

mainstream financial systems may challenge traditional norms and reshape industry standards, potentially leading to broader transformations in financial markets and in regulatory frameworks.

Irrespective of the potential classifications of Islamic finance above, it is clear that the types of products and services it represents are a novel form of financing that Canadian financial institutions have yet to meaningfully provide. Islamic financial solutions can be considered a type of innovation because their unique principles and approaches deviate from conventional practices. In addition, these products and services provide an alternative to conventional finance and cater to the specific needs and preferences of Muslim consumers. Furthermore, regardless of the type of innovation Islamic financial products and services represent in Canada, be it sustaining, disruptive, incremental, or radical, existing firms have yet to provide these solutions despite potential demand. Accordingly, the lack of innovation among such firms warrants further investigation.

In addition, it is essential to recognise that the distinctions among various types of innovation in the literature are not rigidly defined (Hacklin, Raurich and Marxt, 2004; Karlsson and Tavassoli, 2016). Moreover, while some indicate that innovation can be categorised into distinct types (Stundziene et al., 2024), each representing a different approach or strategy, others suggest that these types of innovation may not be entirely separate but rather exist on a continuum with overlapping characteristics and elements (Coccia, 2006; Stundziene et al., 2024). Therefore, rather than focusing on the strict type of innovation required to introduce Islamic financial solutions in Canada, it is imperative to delve into the barriers hindering such innovation from manifesting in existing financial institutions.

Lastly, it is important to recognise that in the Islamic tradition, innovation is pursued within the bounds of public interest (*maslaha*), so that innovation is both enabled and constrained toward societal welfare. Accordingly, financial innovations that drift toward replication of accumulation of wealth for its own sake rather than public interest are regarded as misaligned with *maslaha*, and ought to be screened out. Such framing of innovation in the service of public interest hence often supports financial inclusion and sustainability, channelling such innovation toward community welfare and development.

2.10 Significance of Financial Innovation

Innovation is multifaceted (Zawawi et al., 2016), and researchers across disciplines, including those invested in business, economics, and management studies have explored its various dimensions to understand its impact on growth, and economic progress

(Demircioglu, Audretsch and Slaper, 2019). This is because innovation plays a crucial role in the success of businesses and economies, leading to increased firm value and competitive advantages (Baranskaitė and Labanauskaitė, 2021). The benefits of innovation are not restricted to firms only, as Zuniga (2024) noted that countries that adopt innovative policies raise their development levels. Other studies have also demonstrated that innovation is a key driver of growth and wealth creation for both firms and nations (Tellis, Prabhu and Chandy, 2009).

In terms of products and processes, financial innovation enhances the performance of financial services firms (Anning-Dorson, Nyamekye and Odoom, 2017). This improvement in financial performance can be attributed to factors such as increased revenue and reduced costs for innovative firms (Tong and Yang, 2025). In addition, innovation has been shown to lead to time savings, allowing firms to gain operational advantages and ultimately increase their profits (Abou-Moghli, Abdallah and Muala, 2012). Further, financial innovation also contributes to the development of a financial system by enabling the introduction of new instruments within existing systems (Manasseh *et al.*, 2023). Therefore, by improving the operations of financial institutions and offering customers a wider range of products and services, financial innovations maximise profits while effectively managing risks.

It has also been shown that financial innovation results in numerous benefits including increased customer satisfaction and decreased costs for financial services firms (Martovoy, Mention and Torkkeli, 2015). It can also lead to the creation of new financial products and processes that take advantage of opportunities arising from market inefficiencies (Boztosun, 2017). Furthermore, and as was mentioned above, innovation in this sector has the potential to increase access to financial services and broaden financial inclusion, thereby creating new opportunities for entrepreneurs and innovators (Pasaribu *et al.*, 2024). This broader access to financial services can further stimulate economic growth and development. Consequently, innovation is a crucial driver for organisations not only to sustain but also to enhance their competitive advantages.

Furthermore, research shows that innovation is central to creating value as well as driving organisational performance (Greve and Taylor, 2000; Longoni and Cagliano, 2016). The literature suggests that innovation is essential for organisations to adapt to changing market dynamics (Lawson and Samson, 2001). Additionally, Distanont and Khongmalai (2018) emphasised that innovation can be a tool for creating competitive advantages by offering unique products or superior services. Both Anning-Dorson (2018) and Eidizadeh *et al.* (2017) support this claim by noting that innovation is critical for gaining competitive advantage and ensuring long-term competitiveness.

According to Quach *et al.* (2019), a high perceived innovativeness of a firm is linked to increased customer loyalty. Such loyalty can lead to repeat business as well as increased customer referrals. This ultimately leads to financial success for innovative firms. Additionally, this perception of innovativeness can lead to increased consumer involvement, also contributing to improved customer loyalty (Yang, 2020). Consumers are more likely to engage with, and be loyal to a firm that they perceive as innovative, as it demonstrates the company's commitment to staying ahead of the market. Moreover, Alghanmi (2020) suggests that innovation leads to positive outcomes, such as meeting customer expectations and predicting customer behaviour thereby improving a firm's advantage. All of this indicates that financial innovation plays a crucial role in shaping customer perceptions, and lead to increased customer loyalty, thereby ultimately benefiting the firm.

2.11 Barriers to Innovation

Within the literature, impediments to the introduction of new products and services in the face of potential demand are commonly referred to as barriers to innovation (Madrid-Guijarro, Garcia and Van Auken, 2009; D'Este *et al.*, 2012). As shown earlier, innovation is essential for firm growth and competitiveness. However, various barriers can hinder firm innovation. These barriers can be classified into several factors including financial, knowledge-related, demand-related, or organisational.

Financial constraints, such as a lack of funding, are widely recognised as significant barriers to innovation (Pellegrino and Savona, 2017). Additional commonly reported obstacles to innovation are knowledge barriers, including a lack of information on technology and resistance to change among staff and managers (Dziurski and Sopińska, 2020; Pertuz and Miranda, 2021). Firms with skilled and knowledgeable employees are better positioned to overcome innovation obstacles (D'Este, Rentocchini and Vega-Jurado, 2014).

Organisational rigidity and conflicts with established business models can also create barriers to innovation (Sosna, Trevinyo-Rodríguez and Velamuri, 2010).

Research on general barriers to innovation suggests that the types of obstacles faced vary depending on the size and industry classification of the firm (Hölzl and Janger, 2012).

Crucially, established and large firms tend to be more concerned with the risks of feasibility and commercial failure, uncertainty regarding costs, and internal challenges such as organisational inertia and structured routines. Conversely, new and small firms often encounter obstacles related to resource constraints such as funding and expertise (Hewitt-Dundas, 2006; D'Este *et al.*, 2012). Furthermore, industry factors influence the nature of barriers. For instance, the telecommunications sector faces significant legal impediments,

whereas the banking sector faces with internal resistance to change as well as substantial regulatory hurdles.

Overall, barriers to a firm's innovation are multifaceted and can arise from financial constraints, knowledge gaps, demand-related issues, and organisational challenges. Overcoming these barriers necessitates addressing a combination of factors, including securing adequate funding, fostering a culture of openness to new ideas, and promoting a flexible organisational structure that encourages innovation. Importantly, some research on barriers to innovation has been conducted in the Canadian context, albeit predominantly in sectors other than the financial services industry (Hobbs, 1998; Bagchi-Sen, 1999; Baldwin and Lin, 2002; Tourigny and Le, 2004). The current understanding of the barriers to the introduction of Islamic finance in Canada is however non-existent and there is a need to understand the diverse barriers faced by the supply side in introducing this novel form of financing.

2.12 Theoretical Positioning: Institutional Theory and Political Economy

This study explicitly positions its analysis within two complementary theoretical lenses: institutional theory and political economy. Institutional theory directs attention to the formal and informal rules and norms that structure organisational fields and shape how incumbent financial institutions evaluate and enact innovation. In the Canadian context, this lens helps explain the persistence of organisational inertia, risk avoidance, and unsupportive structures in large, regulated firms, as well as the way regulatory frameworks limit the design of Shariah-compliant products.

A political economy perspective adds to this by focusing on what different groups want, what drives their decisions, and who benefits or loses from innovation. It also draws attention to how unequal power and resources shape innovation outcomes. In Canada's financial sector, regulators, established financial institutions, and minority communities do not have the same level of influence over what gets prioritised, how quickly change happens, or the conditions under which it occurs. Regulators define and interpret the rules, and incumbent institutions control most of the resources, product development, and risk processes. Minority communities may represent unmet demand, but they often have less organised representation and less negotiating power.

Together, institutional theory and political economy help make sense of the mutually reinforcing barriers and feedback loops identified in this study. They provide a coherent

theoretical frame for interpreting why supply-side barriers persist despite evident demand and for understanding how organisational and regulatory incentives and power relations jointly impact the introduction and growth of Islamic finance in Canada.

2.13 Research Gap, Aims, and Contributions

While a substantial body of research has compared conventional and Islamic financial products and services, much of this literature has concentrated on Muslim-majority countries, leaving a significant gap for research conducted in non-Muslim-majority countries. Previous investigations have primarily focused on market comparisons in countries such as the Gulf Cooperation Council (GCC) nations, including Saudi Arabia, the United Arab Emirates, Kuwait, and Qatar, as well as non-GCC countries such as Malaysia, Indonesia, and Pakistan. In contrast, there have been a limited number of studies in non-Muslim-majority countries, including Canada, the UK, Europe, and the US. This study therefore aims to address this gap by focusing exclusively on Canada, a country with a minority Muslim population. It focuses on the Canadian marketplace because of the limited availability of credible and substantial literature in this region thereby providing valuable insights into this underrepresented area of study.

After carefully examining the existing literature, it is also evident that although some research on barriers to the growth of Islamic finance has been conducted in both Muslim and non-Muslim majority countries, research investigations into Canada are lacking. Further investigations are necessary to improve our understanding of the adoption and proliferation of this mode of financing in Canada. More specifically, the supply side has yet to be examined to better understand why the marketplace has not responded to the demand for Islamic financial products and services in Canada. Adopting a barrier to innovation framework would be a further theoretical contribution to this literature and can shed light on what has hinders incumbent financial institutions in Canada from responding to the unmet demand potential that currently exists in the market. To the best of our knowledge, no study on the barriers to the supply of Islamic banking and financial products and services in Canada has been published in peer-reviewed journals. This assertion was verified by conducting a Scopus search for barriers to Islamic finance and banking in Canada between 2013 and 2024.

Furthermore, this investigation responds to the identified needs for future research by Das *et al.* (2018) which recommends conducting an in-depth enquiry to increase the understanding of the identified barriers to innovation. We extend their analysis by investigating the Canadian marketplace and, specifically, why innovation has been hampered in the context of

Islamic finance. Therefore, this study aims to use a barriers-to-innovation framework to explore the following primary research question: *What are the main barriers to innovation that hinder the introduction and growth of Islamic finance solutions in Canadian financial institutions?* Please refer to Figure 1.1 for a summary of the research aims and Figure 1.2 for a list of the secondary questions considered.

Therefore, this study makes important contributions to the literature on Islamic finance and financial innovation within Canada. This study provides one of the first in-depth qualitative analyses of the supply side barriers to Islamic finance in Canada, drawing on interviews with senior leaders and executives in the Canadian financial services sector. It offers a nuanced understanding of the lived experiences, perceptions, and strategies of industry practitioners, thereby filling a significant gap in empirical literature.

3 Methodology

3.1 Introduction

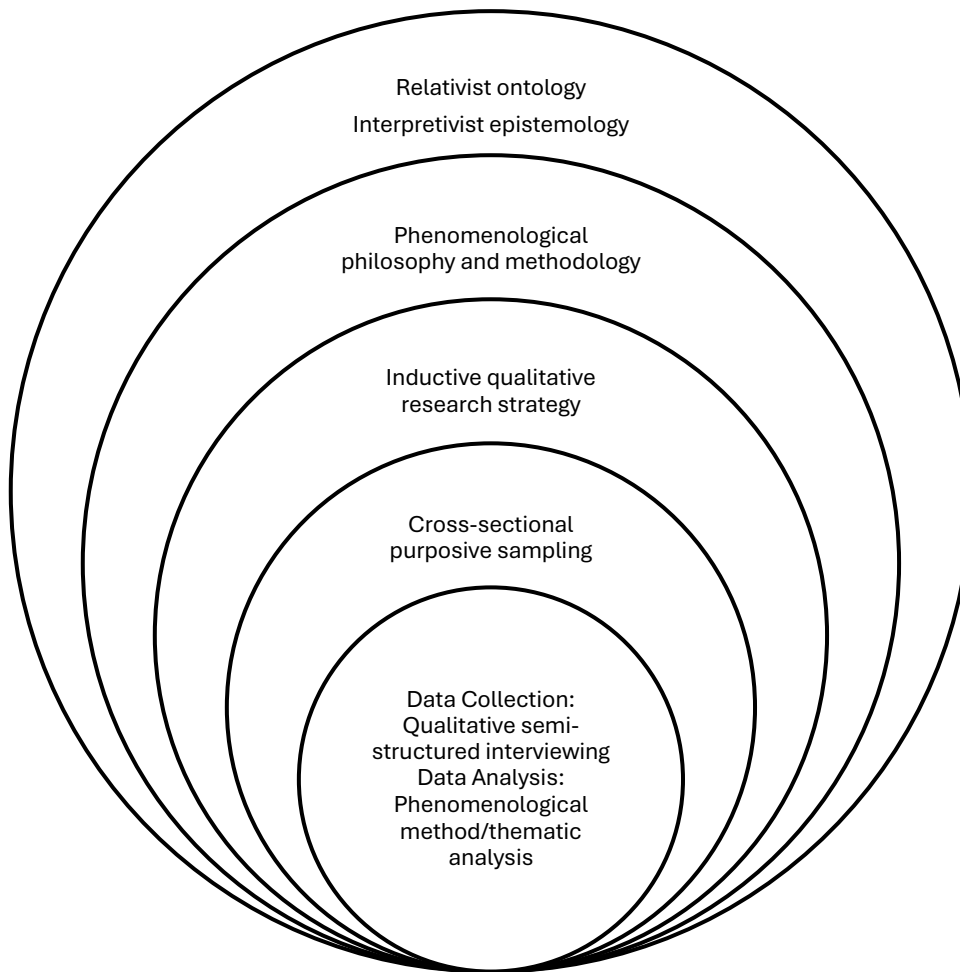
As outlined above, this research seeks to uncover the barriers to innovation within Canada's financial institutions and explore how these challenges impact product development and market expansion, particularly for underserved or niche markets. The primary research question guiding this inquiry is: *What are the main barriers to innovation that hinder the introduction and growth of Islamic finance solutions in Canadian financial institutions?* Given the gaps in the literature and the research aims outlined in Chapter 2, this chapter highlights the methodology and design employed to answer the proposed research questions, both primary and secondary.

Initially, it outlines the research philosophical assumptions (ontology and epistemology) within the framework of other commonly referenced assumption sets. This approach ensures that such underpinnings are clearly understood and aligned with the chosen methodological approach. This is followed by a discussion of the data collection process, including the population and sampling strategy, and how the data collection tools were designed and employed in the study. The data analysis process is then presented, identifying the structure followed in analysing the data collected via qualitative interviews to respond to the research questions. The chapter also discusses trustworthiness, including auditability, credibility, and dependability, as well as reflexivity, ethical considerations, and the limitations of the methodology (Lincoln and Guba, 1985; Creswell and Poth, 2016).

3.2 Research Foundations

As has been demonstrated in numerous studies (Guba and Lincoln, 1994; Mayan, 2009; Prosek and Gibson, 2021), aligning philosophical assumptions with the research design is crucial for ensuring soundness and validity in a study. This positioning affects every aspect of the research process, from formulating research questions to data collection, analysis and interpretation. Matching philosophical assumptions with the research design ensures that a study is coherent and consistent (Draper and Swift, 2011). This is critical for maintaining the integrity of the research. Against this background, this section outlines the author's philosophical assumptions (ontology and epistemology) within the framework of other commonly referenced assumption sets. This approach ensured that the assumptions were clearly understood and aligned with the chosen methodology.

Figure 3.1 Research Foundations



Source: Author's methodological choices

Figure 3.1 above summarises the author's methodological choices, which were based on a relativist ontological and interpretivist epistemological orientation. The research also employs a phenomenological research methodology and a qualitative research strategy to explore the research questions. Purposive sampling was employed to select participants for the semi-structured interviews used to collect the data. Lastly, phenomenological and thematic analysis are then used to analyse and synthesise the data. The following sections will provide further detail on each of the methodological choices taken.

3.2.1 Research Philosophy and Methodology

Ontology and Epistemology

Philosophical assumptions guide the formulation of the research questions and suggest appropriate methodologies for designing overall research (Guraya *et al.*, 2023; Chafe, 2024). More specifically, understanding ontology and epistemology is crucial because it reveals the reasoning behind researchers' chosen methodologies and clarifies one's own research

approach. This comprehension enables researchers to defend their positions and fully understand the relationships between the key components of the research process. It also enables the researcher to appreciate the perspectives of others. Such understanding is essential for meaningful engagement in the academic discourse and for the production of quality and transparent research projects (Grix, 2002).

Blaikie and Priest (2019, p. 102) define ontological assumptions as “claims about what kinds of social phenomena do or can exist, the conditions of their existence, and the ways in which they are related”. They further indicate that epistemological claims address the types of knowledge that can be obtained, the ways in which such knowledge can be acquired, and the standards used to determine when that knowledge is sufficient and valid. Given the need to know and state one’s ontological and epistemological assumptions, highlighting the author’s ontological and epistemological stance is crucial and is disclosed next.

The author’s position is that God is the creator of all existence and represents the ultimate source of truth. However, social reality is often understood as subjective and socially constructed. Furthermore, knowledge may be gained by understanding the meanings and interpretations that individuals give to their experiences. As noted previously, the main purpose of this research is to uncover barriers to innovation within Canada’s financial institutions and explore how these challenges impact product development and market expansion for Islamic finance, specifically from the perspectives and experiences of leaders. Accordingly, this research is grounded in the interpretivist paradigm, specifically in a relativist ontology and interpretivist epistemology. The details as to why is highlighted next.

The interpretivist paradigm holds that reality is inherently subjective and shaped by individual perspectives. From an ontological standpoint, this approach recognises that what we perceive as reality is constructed through personal interpretations and thus can only ever be partially understood. Epistemologically, interpretivism asserts that knowledge emerges from understanding the meanings that individuals assign to their experiences, rather than from objective measurement or universal truths. This paradigm acknowledges the diversity and complexity of human experience, accepting that multiple realities may coexist, each shaped by the unique context and the values of those involved (Pretorius, 2024).

Given this research paradigm, as well as the ontological and epistemological positions adopted, a qualitative approach is best suited for this investigation. A research methodology that can capture the depth, nuance, and lived realities of those directly involved is hence optimal.

Methodology

During the research preparation phase of this study, ethnography, case studies, action research, and phenomenology were examined for the potential use in this investigation. The first three methodologies were all deemed less appropriate, and phenomenology was identified as the most suitable for this study. This is due to various reasons, and this section provides a more detailed justification for selecting that research methodology to investigate the barriers to introducing Islamic finance within incumbent financial institutions in Canada.

The case study methodology primarily focuses on an in-depth exploration of a “individual unit” (Flyvbjerg, 2011, p. 301), also known as a “functioning specific” or “bounded system” (Stake, 1995, pp. 119–120) such as a specific organisation. Therefore, using this methodology would potentially misdirect the analytical focus of the study. The unit of analysis in this investigation is the phenomenon of experienced barriers, which is understood to be a shared experience that transcends the boundaries of any single case or institution. As Stake (1995) suggested, the primary goal of case study research is not necessarily to understand other cases, whereas this study specifically seeks to comprehend the essential structure of an experience common to multiple individuals, irrespective of respondents specific organisational affiliations.

Action research was also considered and set aside as well because of its fundamentally interventionist orientation. This approach, pioneered by Kurt Lewin (1946) and further developed by scholars such as Susman and Evered (1978), emphasises collaborative problem solving and the implementation of practical solutions. While these aspects can be beneficial in many research scenarios, they do not align well with the primary objective of this study, which is to delve deeply into the participants’ lived experiences and their meanings.

While ethnography is powerful for understanding cultural contexts from an embedded position (Jayathilaka, 2021), the objective of this research is not to provide a holistic description of the financial industry’s culture. Rather, it is the in-depth exploration of a specific shared phenomenon, that being the barriers to Islamic financial innovation in Canada. Furthermore, the significant time and resource commitments typically required for ethnographic fieldwork represent practical constraints (Goulding, 2005), which made it less practical in the case of this investigation.

In contrast, phenomenology enables the researcher to move beyond surface level examinations and to engage deeply with participants’ subjective realities. In so doing, this would allow the researcher to generate rich and nuanced insights that would have been

inaccessible through other qualitative methodologies. Further, this methodological choice is rooted in the desire to understand how individuals perceive and interpret the complex and often underexplored realities of working with Islamic financial products and principles in a predominantly non-Islamic financial system.

A realist ontology, where one assumes that an objective reality exists would not have been appropriate, given that there is a unique lived experience of every participant. Similarly, a positivist epistemological approach, which typically fits with realist ontologies (Easterby-Smith et al., 2018), would not be fitting for this investigation. Positivists assume that there is one objective reality that can be understood and discovered through empirical observations and measurements. This study is instead built on the assumption that the phenomenon under investigation does not follow universal laws and is that “knowledge is inherently partial; [and] we can never fully understand someone else’s experience in an objective sense, but we can strive to interpret and make meaning of it” (Pretorius, 2024, p. 2705).

Further, it is important to keep in mind that the epistemological alignment of the methodology with the research aim was appropriate. A phenomenological methodology properly aligns with a relativist ontology and an interpretivist epistemology. Taken together, the research philosophical assumptions would allow for the deep exploration of the lived experiences of senior leaders engaged in the development and delivery of financial solutions within the context of Canada's conventional financial sector.

Lastly, it is important to mention that grounded theory was considered as a methodology to be used, but ultimately it was not adopted. Grounded theory’s inductive pursuit of novel theoretical constructs did not fully align with the study’s aims. Unlike grounded theory, phenomenology was selected to explain the lived experiences of senior executives navigating barriers to Islamic finance innovation in Canadian financial institutions. It thereby adapted Das et al.’s (2018) established barriers-to-innovation framework to this novel context rather than generating theory directly from data (Turner and Astin, 2021). This deliberate choice prioritised depth in subjective meaning-making over theory-building, employing phenomenological bracketing to uncover key contextual insights.

3.2.2 Phenomenology

As mentioned, phenomenology is a qualitative research methodology that centres on the systematic exploration of individuals’ lived experiences to uncover the essence and meaning of particular phenomena as they are subjectively perceived and interpreted by those who experience them (Moustakas, 1994). Rooted in the philosophical traditions of Edmund Husserl (1859–1938) and Martin Heidegger (1889–1976), phenomenology has evolved into

a methodological approach in social sciences, education, psychology, and health research, among other fields (Given, 2008; Alhazmi and Kaufmann, 2022; Bouzioti, 2023; Wrathall, 2025; Zahavi, 2025). The primary aim of phenomenological research is to describe and interpret the fundamental nature of experiences as they are lived rather than theorised or explained by external observers (Langdrige, 2018). This methodology is distinguished by its focus on subjective, first-person perspectives. Further, phenomenologists aim to distil the essential structures and meanings that characterise the phenomenon under investigation, offering insights that can inform both theory and practice (Lester, 1999).

Researchers employing this methodology seek to bracket or set aside their own preconceptions and biases, a process known as *epoche*, in order to engage more deeply with the participants' accounts and reveal the core structures of the phenomenon under investigation (Neubauer, Witkop and Varpio, 2019). The process of bracketing is crucial, as it allows researchers to approach the data with fresh eyes and sensitivity to the details of participants' accounts (Beech, 1999). This approach is particularly useful when the research objective is to understand complex and underexplored human experiences. It recognises that human experiences are both nuanced and inherently subjective, shaped by personal interpretations and individual backgrounds. By prioritising the first-person perspective, researchers can gain rich and detailed insights that might be overlooked or oversimplified by more objective methodologies.

Phenomenology encompasses several methodological traditions, notably descriptive (transcendental) and interpretive (hermeneutic) phenomenology. Descriptive phenomenology, influenced by Husserl, emphasises the identification and articulation of the universal essence of an experience through rigorous description and reduction of data into meaningful units (Moustakas, 1994; Lopez and Willis, 2004; Giorgi, 2010). In contrast, the interpretive phenomenology, advocated for by Heidegger, acknowledges the role of the researcher's background and interpretive lens in the analytic process (Gadamer, 2000; Gadamer and Linge, 2008; Merleau-Ponty, 2013). In this tradition, understanding is developed through a hermeneutic circle, which is an iterative process of reading, reflection, and re-reading, in which the researcher's insights and the participants' narratives continually inform each other (Smith, Larkin and Flowers, 2021).

Regardless of the distinction above, a common and defining feature of phenomenological research is its flexibility and adaptability. Data collection methods are typically open-ended and may include in-depth interviews, focus groups, written reflections, and field notes (Sutton and Austin, 2015; Van Manen, 2016). This methodological openness enables researchers to respond to the specifics of each research context. The emphasis is on

producing rich and detailed descriptions of experiences, allowing themes that capture the structures of the phenomenon to emerge on their own. Analytical procedures are characterised by iterative cycles of examination of the data, including reading, reflective writing, clustering of meaning units, and the development of composite descriptions that synthesise individual accounts into a coherent understanding of the phenomenon's essence (Moustakas, 1994).

Phenomenology is particularly well-suited to research questions that seek to “describe the meaning of [the] experience, both in terms of what was experienced and how it was experienced” (Neubauer, Witkop and Varpio, 2019, p. 91). This methodological position is grounded in the belief that human experience is not merely a series of observable behaviours or verbal expressions but a layered and meaning rich phenomenon that must be examined from the perspective of those who live it. Phenomenology therefore facilitates deep engagement with participants' subjective experiences. It therefore enables researchers to explore how individuals consciously perceive and assign meaning to their surroundings. Through this approach, the richness and diversity of lived experiences can be systematically explored, offering insights that might otherwise remain difficult through quantitative methodologies.

Despite its strengths, this methodology as is the case with all methodologies has its limitations. Researchers employing a phenomenological approach frequently encounter significant challenges in determining the best way to conduct their studies. As observed early on, “this is tough stuff, very abstract, and very conceptual” (Knafl, 1994, p. 134). Despite the proliferation of guidance on how to conduct phenomenological research and the array of methods available, methodological difficulties have not eased but rather have become even more pronounced (Caelli, 2001). Moreover, similar to other qualitative approaches, phenomenological research typically focuses on an in-depth understanding of individual experiences rather than producing statistically representative data. Further, the methodology's reliance on subjective accounts also raises questions regarding the generalisability of the findings (Randles, 2012). Additionally, the process of bracketing is inherently challenging, and the researcher recognises that a complete suspension of one's preconceptions is seldom achievable in practice (Crotty, 1996; Chan, Fung and Chien, 2015). Furthermore, the interpretive nature of the analysis also introduces the potential for researcher bias. This underscores the importance of reflexivity and transparency throughout the research process (Johnston *et al.*, 2017; Lacey and Nunkoosing, 2022). Lastly, phenomenological research can be time-intensive, requiring sustained engagement with the data to achieve the depth and rigour necessary for trustworthy findings (Caelli, 2001).

Overall, phenomenology is a qualitative methodology that focuses on exploring how individuals perceive and make sense of their experiences. Its philosophical foundations and methodological rigour make it a valuable approach for understanding complex human phenomena within various contexts. Its focus on capturing the essence of experience, flexibility in data collection and analysis, and capacity to generate rich and context-sensitive insights make it a valuable methodology for qualitative research in business, education, health, and other fields. While phenomenology offers depth and insight that few other methodologies can match, it also requires careful navigation of issues related to subjectivity and the limitations of generalisability inherent in phenomenological enquiry. When aligned with appropriate research questions, phenomenology can prove to be a robust and insightful qualitative approach.

3.2.3 Methodological Selection

Rather than questioning the existence of the objective world, phenomenology seeks to understand and validate reality through "a phenomenological analysis of actual experiences" (Pivčević, 2013, p. 14). This approach examines how people live through and make sense of their experiences, emphasising the ways in which individuals interpret and understand the world around them (Bell and Bryman, 2007). In this study, the phenomenological approach was used to explore the barriers to Islamic finance by examining senior leaders' lived experiences and perceptions within their own contexts. The objective of this investigation was to understand this phenomenon from financial industry leaders' perspectives and capture the meaning they assigned to their experiences.

Phenomenology is concerned with the subjective, first-person meanings that individuals ascribe to their experiences (Moustakas, 1994; Langdrige, 2018). The development of Islamic finance within incumbent Canadian institutions is not simply a matter of observable outcomes or structural constraints. As was shown in Chapter 2, Islamic finance is rather intertwined with personal, cultural, and organisational factors. Phenomenology facilitates a systematic exploration of these factors allowing the researcher to uncover the essential themes and meanings that might otherwise remain hidden if other methodologies were used. By delving into the lived experiences of key stakeholders, phenomenology can reveal the complex interplay between personal beliefs and organisational culture that shape the development of Islamic finance in Canada.

Furthermore, phenomenology offers a particularly suitable framework for addressing the study's research questions, which seek to identify the perceived barriers to innovation in Islamic finance and propose pathways to overcome these barriers. These propositions

require an interpretive understanding of how individuals make sense of institutional norms, stakeholder expectations, religious principles, and regulatory frameworks as they relate to Islamic finance in their daily professional activities. The methodological flexibility of phenomenology allows for the uncovering of rich narratives through semi-structured interviews, which are well-suited to capturing the layered and multifaceted nature of such experiences (Van Manen, 2016). Through iterative engagement with the data, this research aims to reveal patterns of experience that are not merely descriptive but essentially explanatory.

As mentioned earlier, phenomenology also aligns with the ontological stance of this research, which recognises that reality is “subjective and can only be partially known through individual interpretations” (Pretorius, 2024, p. 2702). This stance is especially relevant in the context of Islamic finance, where professional practices are often shaped not only by rules and market forces, but also by ethical and community considerations. By employing phenomenology, this study acknowledges the legitimacy of these subjective dimensions and seeks to integrate them into a comprehensive understanding of how innovation in Islamic finance is experienced, as well as how it is constrained and potentially enabled within Canadian financial institutions. Importantly, the selection of phenomenology reflects a commitment to honour the participants’ voices. Rather than imposing predefined theoretical frameworks or personal judgments, this approach uncovers the narratives of those directly involved in Islamic finance. It allows their lived experiences to shape the direction and findings of the study, thus ensuring that any conceptual or practical insights are grounded in authentic accounts of the participants involved. This is especially critical given the relative scarcity of empirical research on Islamic finance in the Canadian context, where institutional and cultural complexities often intersect.

The choice of phenomenology was made with full appreciation of its limitations as mentioned above. To mitigate these limitations, this study will conscientiously apply the principle of *epoché*, or bracketing, which requires the researcher to set aside preconceptions to approach the participants’ accounts with greater openness (Neubauer, Witkop and Varpio, 2019). This will be complemented by reflective writing and peer debriefings. Collectively, these methods will be employed to enhance the rigour and trustworthiness of the research findings (Johnston *et al.*, 2017).

3.2.4 Research Strategy

Given the researcher’s choices regarding the ontological, epistemological, and methodological assumptions, it flows that the research ought to employ an inductive

qualitative strategy (Bell and Bryman, 2007) to examine the barriers to introducing Islamic finance in Canada. The exploratory nature of this topic further reaffirms the inductive design choice as the most appropriate to properly capture and interpret the experiences and perceptions of industry leaders in their own terms.

Interestingly, the most recent academic research conducted in Canada on the topic of Islamic finance adopted a deductive approach. Sawwaf (2023) investigate consumer perceptions of Islamic finance using a quantitative methodology to test a number of established theories in the literature, as they apply to Islamic finance in Canada. Hence, the deductive approach was a better suited strategy for that study. This study, however, aims to build theory rather than test it, and to a deeper understanding of the phenomena under investigation. A qualitative research strategy therefore is therefore most appropriate for examining how industry leaders perceive and experience the challenges associated with Islamic finance in the Canadian financial sector (Bryman, 1995).

3.3 Data Collection

This section provides a comprehensive description of the methods and procedures used to collect data for this phenomenological study. As mentioned, the primary aim of this research is to identify the barriers to innovation specific to the introduction and growth of Islamic finance within Canadian financial institutions. To achieve this, the study utilises in-depth, semi-structured interviews with a purposively selected sample of senior leaders and executives in the financial industry. This approach was chosen to generate rich qualitative data. This is essential for understanding the participants' unique perspectives, thoughts, feelings, and beliefs regarding the research topic (DeJonckheere and Vaughn, 2019). Therefore, the data collection strategy is directly aligned with the study's overarching phenomenological methodology, which seeks to understand the essence of this experience from the vantage point of those most intimately involved.

3.3.1 Qualitative Interviews

Qualitative interviews are the primary method of data collection in this investigation, and this choice is consistent with phenomenological methodology and inductive research strategy selected above. This data collection method is well suited to explore the topic of Islamic finance from the participants' perspective and to uncover the meaning of their lived experiences (Crotty, 1996). Additionally, these semi-structured interviews provide a balance of structure and flexibility, enabling this researcher to explore a consistent set of interview questions across all interviews while simultaneously allowing for the freedom to probe deeper as necessary to glean nuanced insights (DeJonckheere and Vaughn, 2019). This

approach is critical for accessing participants' inner worlds. By examining respondents' thoughts and feelings, a researcher is able to gather the vital information required to best understand the essence of the phenomenon being investigated (Adams, 2015).

Alternative data collection methods were considered including focus group and observations. The selection of this method over these other options was deliberate, however. For instance, focus groups can generate a breadth of views, however the potential for larger group dynamics to inhibit the disclosure of individual and possibly sensitive perspectives (Onwuegbuzie *et al.*, 2009) rendered them less suitable. Observation was similarly disregarded due to limitations stemming from inherent biases from both the researcher and the participants, which may negatively impact the validity and integrity of the data collected (Musante and DeWalt, 2010).

Semi-structured interviews are able to reveal the perspectives of the participants (Rubin and Rubin, 2011) and facilitate an understanding of the underlying reasons and motivations for these perspectives (Symon and Cassell, 1998). Therefore, the one-to-one nature of the semi-structured interview provides the most robust and appropriate vehicle for generating the rich descriptive data required for phenomenological analysis. Thus, in-depth qualitative interviews were selected as the data method. The interviews were therefore designed to be conducted with leaders to understand their experiences and perceptions of the barriers to the introduction of Islamic finance within incumbent financial services institutions in Canada.

The following sections outline the steps involved in preparing for and carrying out the research interviews, following the framework established by Cassell and Symon (1994). The process comprised four main phases: first, clarifying the research questions; second, developing the interview guide; third, selecting participants; and fourth, conducting the semi-structured interviews. In the first stage, the research questions were clearly defined and explained, as described in Chapter 2. Refer to Figure 1.2 for a detailed list of the primary and secondary research questions of this study.

3.3.2 Interview Guide and Protocol

In the second stage, a semi-structured interview guide was developed to serve as a flexible framework for the interviews. The purpose of the guide was not to act as a rigid script but rather to gather similar categories of data from participants and establish a sense of organisation (Doody and Noonan, 2013). The guide's structure included open-ended questions and prompts related to the main research themes, allowing participants to express their thoughts and experiences freely. This method facilitated the exploration of unexpected insights and permitted for probing deeper when interesting or relevant information emerged.

By maintaining a conversational tone, the semi-structured approach fostered a relaxed and open environment for the participants. This often leading to richer and more authentic data. Additionally, this format provided the opportunity to clarify responses and seek elaboration on specific points, thereby ensuring a comprehensive understanding of the participants' perspectives on the questions asked.

Furthermore, and as stipulated by Patton (2002), the semi-structured approach may use a combined strategy consisting of both an interview guide as well as open-ended questions. He likewise suggests that this strategy allows the researcher to use complementary approaches, providing both a framework to focus and guide the interview as well as the freedom to probe and ask questions that may emerge during the interview, offering full flexibility to the researcher (Patton, 2002; Bryman, 2011). Further details on the interview questions and design are provided in the *Conducting Interviews* section of this chapter (section 3.3.4), while the full interview guide can be found in Appendix A.

3.3.3 Sampling

The next stage of the data collection process is determining the research sample strategy. Phenomenological research places a strong emphasis on understanding human experiences and therefore adopts criteria that are not constrained by the rigid selection guidelines typical of other quantitative research methodologies. The objective is not statistical generalisability but rather analytical depth and understanding, which is achieved by deeply engaging with individuals who possess specific and relevant knowledge of the phenomenon (Leung, 2015). Therefore, the recruitment of participants was guided by a purposive sampling strategy using criterion sampling, intending to facilitate the selection of information-rich participants who, by virtue of their roles and experiences, were best positioned to provide insightful data pertinent to the research (Patton, 2002). This approach to participant selection is consistent with the overarching methodology of phenomenology, which is to delve deeply into the subjective experiences and perceptions of respondents.

The final sample size for this study was not determined *a priori*. Instead, recruitment continued until data saturation was achieved. Saturation is the methodological principle whereby data collection ceases when new interviews no longer generate novel themes or significant insights. This therefore suggests that the conceptual categories of the analysis are well developed and the existing data collected are sufficient and comprehensive (Fusch and Ness, 2015). This iterative approach ensured that the final response dataset possessed the necessary depth and richness for conducting a deep phenomenological analysis. This approach was further supported by Patton (2002) who asserted that there is no clear rule or

consensus on the number of participants required for qualitative research studies. The achieved sample in this study consisted of 22 participants from various organisations. It so happens that the achieved sample size conforms to the academic literature that targets sample sizes between five and 25 when aiming to include maximum variation within a qualitative sample (Kuzel, 1992; Creswell and Poth, 2016).

Participants were identified and selected based on their professional capacity to provide in-depth insights into the topic. Specifically, the inclusion criteria required participants to be senior executives or strategic leaders within Canadian financial institutions. An additional eligibility criterion required, first-hand engagement with, or material exposure to product development, innovation, or research. This ensured that the data collected were grounded in the direct lived experiences of individuals with requisite knowledge on the topic of innovation. The selection process aimed to capture a diverse range of perspectives within the financial sector, including representatives from banks, credit unions, boutiques, asset management firms and insurance companies.

Moreover, to verify the appropriateness of the chosen research method, a pilot study was conducted, during which two initial interviews were held. This preliminary step served the dual purpose of allowing the researcher to become familiar with the interview guide and assess the effectiveness of the questions in terms of both wording and coherence. As the data collection process unfolded, snowball sampling was introduced to facilitate access to a wider and more diverse group of individuals relevant to this study. Participant recruitment continued until saturation was reached, thereby ensuring that the resulting data provided a comprehensive representation of the phenomena being investigated (Kirchherr and Charles, 2018; Moser and and Korstjens, 2018).

Sample Composition and Diversity

As indicated earlier, a total of 22 in-depth interviews were eventually conducted with senior executives and leaders drawn from a diverse cross-section of the Canadian financial services industry across several provinces in Canada. The sample intentionally encompassed a range of firm types, including Schedule I banks (41% of respondents), credit unions (14%), boutique and fintech firms (18%), asset managers (18%), and insurance companies (9%). This diversity was designed to ensure that the findings would reflect the variety of organisational contexts and regulatory environments within the sector. It is important to note that Schedule I banks account for the vast majority of retail banking activity nationally in Canada (Canadian Bankers Association, 2024), while credit unions hold a modest but regionally significant share. Consequently, the sampling strategy intentionally

expanded the respondent pool within this segment to capture its outsized influence it has within the financial industry.

Professional Roles and Experience

The participants occupied a variety of senior leadership positions, such as Managing Director, Group Head, Executive Vice President, CEO, Partner, Product Strategist, and Director. This range of roles enabled the researcher to gain insights from individuals with direct responsibility for or significant involvement in innovation, product development, R&D, and strategic decision-making. The sample predominantly included currently employed individuals. It also included one recently retired executive, further broadening the perspective on innovation barriers within the Canadian financial industry.

Experience in Innovation

The participants collectively possessed substantial professional experience in the Canadian financial sector. The average number of years of total industry experience among the participants was approximately 22 years, with an average of 12 years specifically dedicated to innovation or related functions. Some participants reported over two decades of direct innovation experience, while a smaller subset had more limited exposure. This composition provided a balance between seasoned and emerging perspectives on the innovation process within financial institutions. Such depth of expertise was by design to ensure a wide range of perspectives was captured.

Demographic and Educational Backgrounds

The sample was also diverse in terms of its demographic characteristics. Participants included both male and female respondents (86% vs. 14%, respectively), with ages ranging from 29 to 56 years. The average respondent age was 46 years. The participants' ethnic backgrounds varied as well, encompassing a range of Caucasian identities, as well as Arab, Jamaican, Jewish, Persian, Pakistani, Somali, and Turkish ones. Religious affiliations were similarly diverse, including Agnostic, Catholic, Greek Orthodox, Jewish, Mennonite, Muslim, Protestant, and Sikh affiliations. This diversity is notable, as it may shape individual attitudes towards both conventional and alternative (including Islamic) finance models.

The participants' educational attainment was high, with most holding advanced degrees. These included MBAs, master's degrees, PhDs, or professional law qualifications. This reflects the seniority and expertise of the sample. It further underscores the respondents' capacity to provide informed and reflective insights into the innovation landscape within their organisations and the industry as a whole.

Summary Table of Respondent Characteristics

A detailed breakdown of the participants' characteristics is provided in Table 3.1, which outlines each informant's age, firm type, position, gender, ethnicity, religion, highest education attained, total years of experience, and years of experience specifically in innovation. The table illustrates the heterogeneity of the sample and provides important context for interpreting the qualitative findings. This purposive and strategically diverse sampling approach ensured that the study is well positioned to capture the likely complex, multi-layered nature of innovation barriers within Canada's financial institutions. Similarly, it allowed for the generation of insights that are both deep and broadly relevant to the area of investigation.

Table 3.1: Respondent Characteristics

Code	Age	Firm Type	Position	Gender	Years of Experience	Experience in Innovation
R01	56	Credit Union	Director	Female	36	20
R02	49	Schedule 1 Bank	Managing Director	Male	22	22
R03	35	Boutique	Director	Male	10	4
R04	48	Schedule 1 Bank	Managing Director	Female	22	17
R05	46	Schedule 1 Bank	Group Head	Male	25	20
R06	44	Boutique	Managing Director	Male	15	9
R07	50	Schedule 1 Bank	Executive Director	Male	20	19
R08	51	Schedule 1 Bank	Executive Vice President	Male	25	15
R09	40	Boutique	CEO & Founder	Male	18	9
R10	52	Credit Union	Regional Vice President	Male	30	0
R11	61	Schedule 1 Bank	Vice President, Retired	Male	36	4
R12	56	Boutique	CEO, Partner	Male	30	10
R13	36	Credit Union	Manager	Female	18	12
R14	34	Asset Manager	Product Strategist	Male	13	6
R15	49	Schedule 1 Bank	Group Head	Male	25	25
R16	37	Asset Manager	Group Head	Male	10	10
R17	53	Asset Manager	Vice President	Male	29	15
R18	53	Schedule 1 Bank	Director	Male	25	25
R19	45	Insurance Company	Group Head	Male	23	12
R20	29	Insurance Company	Director	Male	6	4
R21	40	Asset Manager	Vice President	Male	16	4
R22	43	Schedule 1 Bank	Assistant Branch Director	Male	20	10

Source: Author's dataset

3.3.4 Conducting Interviews

The data collection process was executed systematically to ensure consistency and rigour. After receiving ethical approval, potential participants were contacted via an introductory email. Respondents were invited to voluntarily participate in a confidential and anonymised interviews that focused on their experiences and perspectives regarding innovation, product development, and the challenges faced in introducing new financial products, particularly those aimed at underserved or niche markets such as Islamic finance. Importantly, prior knowledge or direct exposure to Islamic finance was not a prerequisite for participation, as this study sought to understand both the general as well as specific barriers to innovation within the industry.

Upon confirmation of interest and receipt of signed informed consent (see Appendix A for a copy of the informed consent form), virtual interviews were scheduled. This interview format has now become common practice in the industry, allowing for a convenient and naturalistic setting to collect the data (Avolio, Walumbwa and Weber, 2009). All interviews were conducted virtually at a time convenient for participants. Before commencing each interview, the researcher reiterated the study's purpose and the participants' rights. All interviews, which were approximately 60 minutes in length, were audio-recorded, with explicit consent. This was important as it facilitated accurate verbatim transcription of the data provided by respondents.

The interview guide was organised into four distinct components, each serving a specific purpose within the phenomenological interview process, as outlined below.

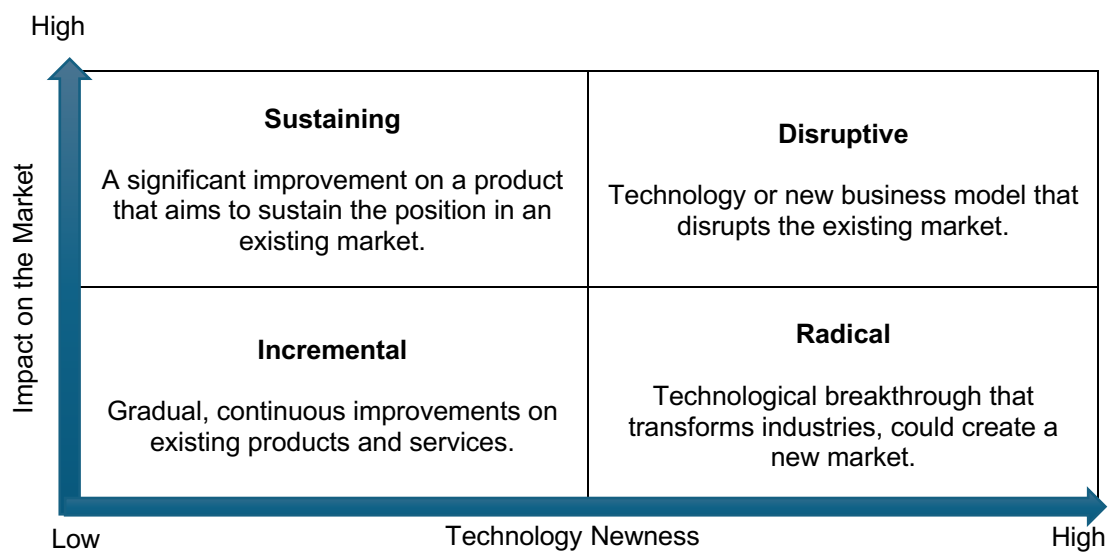
Part 1: Identification and Classification of Respondents

The initial section of the interview was dedicated to collecting descriptive and classificatory information on the respondents. This included basic demographic and professional details, such as name, contact information, job title, company, gender, year of birth, ethnicity, religious affiliation, years of experience in the financial sector, highest academic qualification, number of firms worked at since graduation, years of experience in innovation, and years of international and Muslim world experience. This section served to characterise the sample participants and to provide essential context for the subsequent thematic analysis to follow. This ensured that the diversity and representativeness of the participant pool could be systematically assessed. Collecting these data at the outset also helped establish rapport with the respondents.

Part 2: Introduction and Exploration of Innovation Experiences

The second part of the interview was designed to encourage participants to reflect on their current and past innovation related activities without directly addressing the subject of Islamic finance. This “warm-up” phase was instrumental in putting the participants at ease and prompting them to consider the nature of innovation in their professional roles. Participants were asked to describe the projects they were currently working on or overseeing, identify which of these projects they considered innovative from their firm’s perspective, and characterise the type of innovation involved (e.g. incremental, sustaining, radical, or disruptive). A visual aid was used to clarify the types of innovation with which respondents had experience (see Figure 3.2 below). By initially focusing on general innovation experiences, this section helped to contextualise later questions about barriers specific to Islamic finance and ensured that the participants were fully engaged in the interview process.

Figure 3.2: Innovation Types



Source: Linton (2009) and Kylliäinen (2019).

This section also explored the barriers to innovation that the participants had personally experienced. Specific prompts addressed obstacles such as lack of exploitation of new ideas, organisational inertia due to local systems architecture, decision-making structures, risk appetite, absence of fundamental R&D, and the “not-invented-here” syndrome. These constituted the specific barriers obtained from the Das *et al.* (2018) theoretical framework outlined earlier.

Part 3: Barriers to Innovation as They Relate to Islamic Finance

The third section of the interview guide shifted the focus to the core research topic: barriers to innovation, specifically concerning Islamic finance and the development and proliferation of these products and services in the Canadian marketplace. Participants were initially asked about their familiarity with Islamic finance and what it meant to them. They were also asked whether their firms currently offered or planned to offer Islamic financial solutions.

Thereafter, respondents were asked specific questions regarding what they perceived to be the main impediments to offering Islamic financial products and services within Canadian financial institutions.

More specifically, respondents were encouraged to reflect on how these barriers manifested in the context of Islamic finance and whether additional unique obstacles might affect the development of Islamic financial products and services in Canada. The aim was to explore both barriers specifically for the introduction and growth of Islamic finance solutions within participants' organisations. The same set of innovation barriers identified in Part 2 (i.e., lack of exploiting new ideas, systems architecture inertia, organisational structure, risk appetite, absence of R&D, and the not-invented-here syndrome) were revisited, but this time as they potentially applied to Islamic financing. Respondents were encouraged to reflect on how these barriers manifested in the context of Islamic finance and whether additional obstacles were experienced that might affect the development of Islamic financial products and services in Canada.

Part 4: Summary and Concluding the Interview

The final section of the interview provided an opportunity for participants to add any further comments or raise issues that had not been addressed in the preceding sections. This open-ended approach ensured that all relevant topics were explored and that the participants felt that their perspectives were fully considered. Additionally, the participants were asked to suggest other individuals within their professional networks who might be interested in or knowledgeable about the research topic. This snowball sampling technique further expanded the pool of potential interviewees and led to a more comprehensive set of perspectives. It also allowed for the identification of key participants who might possess specialised knowledge or unique insights into the research topic. This approach not only facilitated the recruitment process but also ensured that the study captured a wide range of relevant viewpoints.

In summary, the guide was structured to cover the following: the respondents' professional context and role in innovation, their general experiences with barriers to financial innovation,

specific knowledge and perceptions related to Islamic finance, and their comparative reflections on barriers affecting Islamic finance and conventional products. Furthermore, as highlighted earlier, the guide was constructed thematically, with broad topic areas derived directly from the study's research questions and theoretical framework. The questions were intentionally open-ended, often beginning with "how", "what", or "to what extent". This was to encourage participants to provide detailed narrative accounts of their experiences rather than brief, factual answers (Patton, 2002). The interviews also incorporated a series of potential probes, which were responsive follow-up questions used to elicit more details, clarification, or examples. The use of such probes was essential for delving deeper into the nuances of the participant's experience, which is a hallmark of high-quality qualitative interviewing.

3.4 Data Management and Ethical Considerations

A systematic approach to data management and ethical conduct was rigorously maintained throughout the research process to ensure the integrity of the data and the protection of respondents. All audio recordings and their corresponding verbatim transcripts were anonymised and stored securely on a password-protected and encrypted server. All documents and data related to the interviewees were accessible only to the researcher and will be disposed of securely upon completion of the investigation. To ensure anonymity and confidentiality, which was a critical consideration in this qualitative research given the involvement of financial executives and leaders, all identifying information was removed. Personally information was safeguarded by replacing it with pseudonyms or codes during the data analysis and reporting phases of the research (Saunders, Lewis and Thornhill, 2009).

Additionally, respondents were fully informed of the research objectives, the voluntary nature of their involvement, and their right to withdraw from the study at any stage. Central to this disclosure was the principle of informed consent, which was treated as an ongoing process rather than a single event. This attention to ethical principles was designed to build trust and create a safe space for participants to share their experiences openly. Respondents were also encouraged to seek clarification about the study procedures and data handling at any time.

Moreover, to ensure the quality and credibility of the findings, several measures were implemented throughout the data analysis process thereby enhancing the rigour and trustworthiness of the research. These included maintaining a clear audit trail of the analytical choices and decisions, which was facilitated by the use of the MAXQDA

application. The software provided a structured environment for storing, coding, and subsequent retrieval of the qualitative data collected. This was also instrumental in supporting the process of moving from raw data to final themes in a clear and reproducible manner. Transparency was further ensured by documenting the analytical process and decisions in detail, allowing for the reliability of the data and enhancing future auditability of the results (Lincoln and Guba, 1985).

Further, reflexivity was employed throughout the process and involved critical self-reflections on how the researcher's own background and assumptions may have influenced the interpretation of the data (Moustakas, 1994; Giorgi, 2009). A research journal was maintained to record these reflections throughout data collection and analysis. To further enhance the credibility of the analysis, peer debriefing was undertaken, where the initial findings were discussed with the research supervisor to gain external perspectives and challenge the researcher's interpretations of the data (Lincoln and Guba, 1985). Taken together, these practices mitigated the risk of interpretive bias and strengthened the transparency of the analytic process.

Promptly following each interview, the researcher wrote detailed, reflective memos. This practice of reflective writing was an essential component of ensuring analytical rigour and researcher reflexivity, capturing initial thoughts and insights that informed subsequent analysis (McGrath, 2021). Once transcribed, each transcript was carefully reviewed multiple times against the original audio recording to verify its accuracy and make any necessary corrections. Regular backups of the encrypted data were performed to prevent data loss or corruption.

Furthermore, all transcripts, field notes, and reflective memos were systematically organised and managed using MAXQDA. They were imported into the software to create dedicated project files. This facilitated the crucial step where subsequent codes and themes were created (Gibbs, 2007). The use of MAXQDA was instrumental in managing the large volumes of qualitative data created. It further allowed for maintaining a clear audit trail of the analytical process and hence supporting traceability from raw excerpts to reported themes over time.

Overall, these measures not only protected participant confidentiality but also facilitated a clear audit trail, enhancing the credibility and dependability of the research findings. The combined emphasis on ethical safeguards and methodological transparency is particularly important when working with senior industry participants, for whom confidentiality and trust are of paramount importance. Taken together, these methodological choices strengthen the

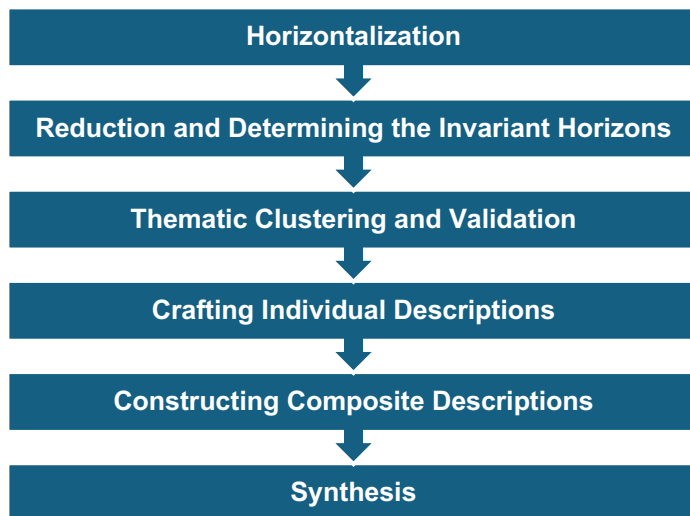
study's trustworthiness and provide a replicable template for comparable qualitative inquiries in other settings. Moreover, the careful approach to data preparation and management laid the foundation for a robust thematic analysis to follow. This analysis, which involved iterative coding and theme development to identify key patterns and insights across the dataset, is described next.

3.5 Data Analysis

The analysis in this study sought to reveal the underlying meanings and structures of the barriers to the introduction of Islamic finance within incumbent Canadian financial institutions. The primary objective of the data analysis was therefore to identify and examine, then ultimately interpret patterns and themes within the data to address the research questions highlighted previously. This process was informed by the phenomenological approach, which aims to uncover the essence of participants' lived experiences through systematic and reflexive engagement with the qualitative data collected (Moustakas, 1994). This approach is aligned with the broader methodological framework outlined earlier, ensuring that the analysis remains grounded in the philosophical paradigm and methodological assumptions (Langdridge, 2007; Giorgi, 2009).

The data analysis followed a multi-stage process, drawing upon Moustakas' (1994) systematic phenomenological method. As illustrated in Figure 3.3, the process commenced with horizontalization, followed by phenomenological reduction to identify the invariant constituents of lived experiences. These constituents were then thematised and clustered. The final stages involved constructing individual and synthesised textural and structural descriptions of the phenomenon under investigation.

The following subsections detail each stage of the data analysis, consistent with the adopted analytical method. It is worth noting that to protect participant confidentiality and minimise the risk of disclosure, complete interview transcripts are not reproduced in the findings chapter of this research; instead, anonymised excerpts (linked to respondent codes) are presented, in Chapters 4 and 5, to evidence claims and enhance the credibility and dependability of the analysis (Bell and Bryman, 2007; King, Brooks and Horrocks, 2018). Appendix C provides a worked example where verbatim quotes illustrate the progression from initial coding to theme development and support the analytic linkage underpinning the themes reported.

Figure 3.3 Moustakas Phenomenological Analysis Process

Source: Based on the phenomenological data analysis process suggested by Moustakas (1994).

3.5.1 Horizontalization

Moustakas' (1994) approach mandated a deliberate "suspension of judgment" (Padilla-Díaz, 2015, p. 102) and preconceptions, consistent with the phenomenological principle of *epoche*, a word of Greek origin which means doubt (Giorgi, 2009). It is also referred to as bracketing. This allowed the researcher to remain open to the participants' lived experiences as they were presented, focusing on the experience itself, and as free as possible from outside influence or bias. This process was crucial for transforming raw qualitative data into a format suitable for in-depth phenomenological exploration, ensuring that participants' statements of experience were given equal preliminary value.

The horizontalization process involved systematically and repeatedly reviewing each interview transcript to identify and catalogue every significant statement connected to the study's research aims and questions. These statements encompassed various themes, including perceptions of innovation, knowledge of Islamic finance, exposure to product development, and barriers to innovation. Each identified statement, or horizon, was treated as equally valuable in contributing to the understanding of the phenomena being studied, regardless of its perceived significance at this preliminary stage. This approach purposefully ensured that no potentially meaningful data were overlooked during the initial analysis phase. Each horizon was considered to carry inherent meaning that may prove crucial for understanding participants' lived experiences. A sample of this process, using sample interview data, is provided in Appendix C.

3.5.2 Reduction and Determining the Invariant Horizons

While the process positions bracketing and phenomenological reduction as the next step in data analysis, in this study bracketing was implemented throughout the entire research process, from planning and data collection to generating descriptive findings. This approach is consistent with the phenomenological principle of *epoche*, which Zaner (1970, p. 182) describes as “a kind of disassociation, a kind of indifference, and an openness to whatever presents itself... a systematic disregarding, refraining, and objectivity.” Successful bracketing therefore requires researchers to achieve transparency with themselves, fully disclosing and setting aside presumptions so that data can be received without distortion thereby allowing phenomena to present themselves authentically. Given this researcher’s knowledge and experience in Islamic finance, the process of bracketing was not trivial and added effort and awareness was required to ensure the principle was systematically adhered to.

To address these challenges, several strategies were employed. Following Gibson’s (2004) guidance, the researcher approached *epoche* not as complete detachment from the phenomenon but as maintaining critical awareness of the researcher’s personal involvement while remaining open to presenting the phenomenon as experienced by the participants themselves. Significant time was taken during the transcription and reflective writing stage, as well as deliberate practice with the interview guide to avoid introducing the researcher’s views into the process. To minimise bias during the analysis, the researcher purposely avoided engaging with new literature on the research topics until the findings were generated (Bloomberg, 2022). Early awareness of existing knowledge and beliefs, combined with documenting these preconceptions, facilitated the bracketing process by making assumptions explicit and setting them aside when necessary.

This study acknowledges the inherent challenges of achieving complete neutrality, recognising that it is an ideal rather than an absolute reality within phenomenological inquiry (Moustakas, 1994). The researcher’s extensive prior knowledge and deep interest in the barriers related to Islamic finance in Canada, combined with the comprehensive literature review completed, inevitably shaped notions about the research phenomenon. However, recognising and documenting these beliefs through reflexive journaling helped create awareness that facilitated the bracketing process. This systematic reflexivity enhanced the rigour of the analysis and reduced the risk of bias.

The next analytic stage focused on identifying invariant horizons by systematically eliminating repetitive or overlapping statements. Through an iterative review of the interview transcripts, the researcher identified significant statements specifically relevant to barriers to

innovation. Repetitive or overly general responses were removed, resulting in a refined set of horizons, also known as invariant constituents of experience (Moustakas, 1994). These horizons represent the core and constant meaning units of the phenomenon under investigation. The refinement process condensed the transcript files while more clearly capturing the phenomenon as experienced, allowing the barriers of innovation, as they relate to Islamic finance in Canada, to emerge in their entirety. A sample of this process using the interview data is provided in Appendix C.

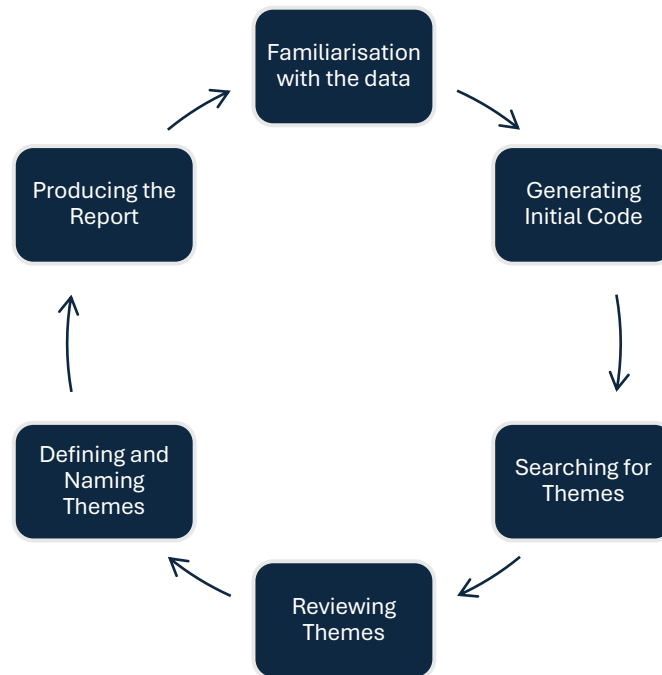
3.5.3 Thematic Clustering and Validation

The next analytical stage involved thematising and clustering the invariant horizons, followed by validating them against each participant's verbatim response to ensure their explicit presentation within respondents' input. Given that Moustakas (1994) provides only a broad outline for this stage without detailed procedural steps, this study adopted a hybrid approach that integrated his foundational framework with established qualitative analysis techniques, particularly thematic analysis as outlined by Braun and Clarke (2006).

Thematic analysis is a powerful method for analysing and reporting patterns (or 'themes') within qualitative data, while remaining sensitive to the subjective meanings that participants ascribe to their experiences (Braun and Clarke, 2006). It is particularly well-suited for this study because it allows for a rich and detailed yet complex account of the data (Cassell, 2006). Thematic analysis in phenomenological research is not merely a mechanical process but involves reflexive and iterative engagement with the data, guided by the researcher's bracketing and reflexivity (Moustakas, 1994; Giorgi, 2009).

A hybrid approach of deductive and inductive coding was utilised. Deductive codes were developed based on insights from the existent literature on traditional innovation barriers, specifically Das *et al.*'s (2018) framework. Simultaneously, inductive coding allowed for new and unexpected codes to emerge directly from the data. In so doing, the analysis remained grounded in participants' experiences and the specific context of Islamic finance in Canada (Fereday and Muir-Cochrane, 2006). The thematic analysis followed the six-phase process outlined by Braun and Clarke (2006), which provides a clear and systematic framework for analysis (see Figure 3.4). Additionally, the analysis employed both manual coding using transcripts in Microsoft Word files and computer-assisted analysis using MAXQDA software.

Figure 3.4 Thematic Analysis



Source: Braun and Clarke (2006)

The following section highlights the phases of the thematic analysis conducted. It is worth noting that the analysis entailed more of an iterative process rather than a linear progression. This was crucial for developing a rich understanding of participants' perspectives regarding the barriers to Islamic finance in Canada (Attride-Stirling, 2001).

The Phases of Analysis

The initial phase involved familiarising the researcher with the data to gain a comprehensive overview of its content. This was achieved through repeated readings of transcripts and accompanying field notes as well as the production of reflexive memos to capture initial analytic insights. This was then followed by a systematic process of coding the data, which involved identifying features of the data that were deemed interesting or relevant to the research questions. Such significant parts were then assigned codes for later identification. This coding process followed a hybrid approach described earlier. Hence, it involved deductive as well as inductive strategies, ensuring the approach was both informed by the literature and also driven by the data.

Additionally, related codes were collated into potential themes by assembling all relevant labels and then drawing preliminary thematic connections. Once a set of potential themes had been developed, it was further reviewed and refined, and this occurred at two levels. Firstly, the excerpts for each potential theme were reviewed to ensure they formed a coherent pattern. Secondly, the validity of individual themes in relation to the entire dataset

was examined (Braun and Clarke, 2006). This phase ensured that the themes accurately reflected the meanings evident in the data. Some themes were merged, others were split into separate themes, and some were discarded altogether if they lacked sufficient supporting evidence. This movement between data, codes, and themes occurred iteratively and repeatedly.

Subsequently, these descriptive individualised themes were thoughtfully organised into grouped themes, which continued to align with the expressions found in the participants' statements. This clustering process showed that some groups were simple while others were layered, with parent themes and subthemes emerging in a hierarchy. These hierarchies were as a result of the strength and consistency of patterns across interviews. This then guided decisions as to whether to merge or layer identified themes. It is important to note that clusters were consistently validated against participants' verbatim quotes. Such validation therefore ensured that the output remained closely descriptive of the lived experience participants so as not to lose the essence of their experiences as a result of the clustering process. It also set the stage for subsequent abstraction of themes and the synthesis that was to follow.

Throughout these stages, all labels remained descriptive and consistent with established practices in transcendental phenomenological analysis. As mentioned previously, this researcher was cognisant of bracketing at each stage, as this process was rigorous. The final analytical step involved organising the descriptive clusters into broader categories that were directly connected to the study's research objectives, thereby enabling this researcher to make the transition from purely descriptive analysis to interpretive categorisation and synthesis that addressed the research aims. The analysis also explored the relationships between themes and examined how they were interrelated. This enabled a broader understanding of the research topic. The process of defining and refining themes in thematic analysis is crucial for developing clear and meaningful interpretations of the qualitative data (Naeem *et al.*, 2023). In this defining then naming phase of the analysis, each theme's scope and boundaries were articulated. Concise names were assigned to the themes, and a map was reviewed for all the named themes (Javadi and Zarea, 2016).

The final "producing the report" phase entailed crafting a coherent analytic narrative that integrated the anonymised verbatim respondent quotes as evidence of the claims being made. It also linked themes back to the study objectives and the literature reviewed (Braun and Clarke, 2006). This was supported by reflexive journaling and an audit trail that clearly linked data and codes together as well as their interpretations. Collectively, these procedures improved the credibility and dependability of the findings.

3.5.4 Crafting Individual Descriptions

The next stage involved writing individual descriptions for each respondent. This entailed converting the thematised and clustered data into written accounts (descriptions) that captured each respondent's experience of the phenomenon being investigated. This researcher developed two types of individual descriptions for respondents, each supported by verbatim quotations from the interviews. Textural descriptions (noema) documented what respondents experienced regarding the barriers to Islamic finance in Canada. This enabled the capturing of the essence and qualities of their lived experiences. Structural descriptions (noesis) examined how these experiences unfolded, explaining the contextual and situational factors that shaped participants' encounters with barriers to Islamic finance (Moustakas, 1994). These descriptions were supported by verbatim quotes from the interviews for each participant, which served as evidence for each of them. A sample of individual descriptions were included in Appendix B, as well as composite textural and structural descriptions for the entire dataset.

3.5.5 Constructing Composite Descriptions and Synthesising

The final stage of data analysis process involved synthesising the individual textural and structural descriptions produced from all 22 participants into composite descriptions that conveyed the shared meanings and structural conditions of the phenomenon. This required the examination of themes and categories across all interviews in order to develop unified accounts of barriers specific to the introduction of Islamic finance in Canada, together with the established innovation barriers found in the literature. The researcher examined individual descriptions while modelling the contextual conditions and relationships likely underpinning respondents' experiences. Ultimately, the aim was to identify the universal structures that comprehensively account for the phenomenon.

Drawing on Crotty's (1996) work, the essence of the phenomenon was tested by asking critical questions:

"Is what we are describing that which makes the phenomenon the phenomenon that it is? Would it be this phenomenon if what we are describing were not there? Would it be this phenomenon if what we are describing were not there?" (Crotty, 1996, p. 168).

This step functioned as a validity check to ensure that the composite descriptions captured the distinctive characteristics of the phenomenon rather than secondary attributes. The composite synthesis represented how participants as a group experienced the phenomenon

while also preserving minority or differing perspectives. Consequently, both commonalities and divergences were explicitly represented. This therefore deepened the synthesis of the data as a whole (King, Brooks and Horrocks, 2018).

This comprehensive data analysis approach was grounded in Moustakas' (1994) phenomenological method and ensured a rigorous and systematic examination of the data collected. By employing horizontalization, bracketing, reduction, reflexive thematic analysis, and the synthesis of textural and structural descriptions, this study uncovered the essence of participants' lived experiences. The multistage analytical process combined both inductive and deductive coding and allowed for a nuanced understanding of the phenomenon while remaining true to the participants' perspectives. Through this methodical approach, the research provided theoretically informed and practically relevant insights into the challenges and opportunities facing the introduction of Islamic finance in Canada. The goal of understanding these challenges and opportunities was to eventually identify their implications for policymakers and institutional players.

3.6 Chapter Summary

This chapter has outlined the methodological approach adopted for this study. This approach aimed to investigate the barriers to innovation within Canada's financial institutions, particularly in relation to the development of Islamic finance. This researcher employed an interpretive research paradigm that was grounded in a relativist ontology and an interpretivist epistemology. An inductive research strategy was employed, utilising a phenomenological methodology. The choice of this research strategy and methodology allowed for an in-depth exploration of the lived experiences and perceptions of senior leaders within the financial industry. This approach also enabled the researcher to uncover deep, rich, contextual data that would explain the nuanced challenges and opportunities surrounding innovation in Islamic finance in the Canadian space.

The study utilised in-depth, semi-structured interviews with 22 executives and senior leaders from diverse sectors of the Canadian financial services industry. A purposive sampling strategy ensured a rich and varied perspective on the research topic. An interview guide was carefully structured to explore participants' experiences with innovation, their knowledge of Islamic finance, and their perceptions of barriers specific to this area. Data analysis followed Moustakas' (1994) systematic phenomenological method as well as Braun and Clarke's (2006) thematic analysis. It therefore incorporated horizontalization, bracketing and reduction, as well as the development of textural and structural descriptions into the

analysis. This rigorous approach ensured a deep engagement with the participants' lived experiences and perceptions.

Ethical considerations and data management protocols have been implemented to protect participant confidentiality and maintain the integrity of the research process. The use of MAXQDA software facilitated the systematic organisation and analysis of the qualitative data. The overall methodological framework thus provided a robust foundation for exploring the complex interplay of factors influencing innovation in Islamic finance within the Canadian context. The findings derived from this approach will offer valuable insights into the barriers and potential pathways for the development of Islamic financial products and services in Canada's financial industry. These have been reported on in the following chapter.

4 Findings

This chapter presents the findings derived from in-depth qualitative interviews conducted with executives and senior leaders in the Canadian financial sector regarding the barriers to innovation impacting Islamic finance. The primary purpose of this chapter is to report on the findings and themes that emerged from the phenomenological and thematic analysis of the interview data, thereby directly addressing the research question: *What are the main barriers to innovation that hinder the introduction and growth of Islamic finance solutions in Canadian financial institutions?* The findings presented here are based on the participants' own experiences and perceptions.

Following the phenomenological and thematic data analysis procedure outlined in Chapter 3, both individual and composite textural and structural descriptions of the phenomena were crafted. Samples of these descriptions are provided in Appendix B, cognisant of word limitations. This chapter provides sample statements (invariant horizons) from the interview participants in order to support and provide evidence of the barriers presented. It also emphasises both the distinctive experiences of individual participants as well as the collective, cross-case perspectives derived from comparing all their accounts. It further synthesises these multiple viewpoints to offer a comprehensive exploration of the phenomena under investigation.

This chapter is organised into several sections. The main body of the chapter details the key themes identified during the analysis. Specific findings for each identified theme that links to the key research question are hence presented. For each theme, a description is provided, followed by illustrative verbatim quotes from the participants to support the interpretation. The next sections discuss the interrelationships of the barriers uncovered as well as a comparative analysis of those barriers with traditional barriers to innovation. This chapter hence provides a thorough analysis and integration of the findings. It captures both the individual understandings and the summative experiences of the 22 participants as they relate to the phenomena for this investigation. This chapter represents the foundation to the interpretation of the findings discussion chapter, Chapter 5, as well as the conclusions presented in Chapters 6.

4.1 Barriers to Islamic Finance in Canada

This section presents findings regarding the barriers to Islamic Finance in Canada from the perspective of each of the participants. A comprehensive review of the interview data reveals that the barriers to the development and growth of Islamic finance within Canadian financial institutions cluster around several connected themes. These themes reflect both internal

organisational and firm capacity barriers as well as external market, regulatory, and societal ones.

This section organises the findings into major themes that emerged. Each theme is presented with supporting sub-themes. These themes include market and demand barriers, knowledge and capacity barriers, organisational and cultural barriers, regulatory and structural barriers, systemic and societal barriers, and finally reputational and authenticity barriers. They are each presented below, substantiated by direct quotations from the research respondents.

4.1.1 Market and Demand-Side Barriers

Interview participants indicated that the adoption of Islamic finance in Canada faces significant barriers. Most suggest that financial institutions currently view the potential customer base as too small to justify substantial investments. Others note the absence of strong signals of customer interest has led to the de-prioritisation of Islamic finance initiatives within their firms. As a result, Islamic finance was seen as a niche consideration, often overlooked in favour of conventional innovations instead.

Perceived Market Size and Profitability

A recurring theme was the perception that the addressable market for Islamic finance in Canada is too small to justify meaningful investments by firms. Industry experts within the financial institutions interviewed regarded the potential customer base as insignificant to warrant substantial resource allocation. This sentiment is reflected in firms' estimated market size, which was considered insufficient to justify the development of specialised Islamic financial products and services. As one participant explained, the "reward is too small" and "It doesn't move the needle enough" (R01), while another respondent indicated "I don't think there's a large market out there that we're missing on" (R04). Another stated that the "Total addressable market that we saw for these [investment assets] was well under 200 million in Canada at the time," and further noted that "For us to be able to grab those assets in terms of penetration, we didn't see a viable product in excess of around 30 to 40 million, which is what stifled our sort of like pursuit of that product" (R16).

The concern about scale is echoed by others who emphasised that "It's just a question of the size of the pie" and that "the size of the opportunity, to justify those adaptations, [is a barrier]" (R05). The niche nature of Islamic finance in Canada further compounded this challenge, with one respondent highlighting that "It still falls within the niche category, [whereas] we tend to look at major building blocks for the masses" (R21), and another noted it's a niche

market within finance “whether personal or corporate” (R11). Financial institutions, and particularly larger banks, are hesitant to enter a market segment that may not provide adequate returns on investments made. This hesitation is reinforced at the senior management level, as one respondent specifically commented, “I have heard that has come back from senior management, absolutely...that they don't think that the market is large enough” (R17).

Lack of Explicit Client Demand

Several interviewees noted the absence of strong and explicit demand signals from clients, which has led to the de-prioritisation of Islamic finance initiatives within their institutions. For example, one participant observed that “We didn't have an overwhelming amount of client demand for it” (R04), while another stated more directly, “I would say the barrier is...a lack of people asking for it” (R14). This lack of vocalised client interest was seen as a critical factor in shaping institutional priorities.

The perception that demand has not sufficient materialised was echoed by another respondent, who reflected that “If we had [clients who] were constantly asking for it, and we know for a fact that there's huge demand, I think the industry would shift and would move very quickly. I just don't think it [has] bubbled up as much” (R19). These statements suggest that financial institutions are primarily driven by client requests and market demand when determining their strategic priorities. Without a clear and vocal demand from clients, Islamic finance initiatives are often relegated to a lower priority.

The perceived absence of strong market signals created a situation where institutions were hesitant to invest resources in developing Islamic finance products and services, while potential clients may not have actively sought such offerings because they were not readily available. The respondents indicated that their financial institutions are primarily driven by client requests and market demand when determining their strategic priorities. As a result, Islamic finance initiatives within these firms were frequently sidelined in favour of conventional offerings which have more demonstratable client interest.

4.1.2 Knowledge and Capacity Barriers

The following section further examines the challenges of integrating Islamic finance into conventional financial systems, focusing on three key barriers: lack of internal expertise, limited R&D investments, and other resource constraints. The subsections below explore these barriers in more detail as well as their implications for the growth of Islamic finance within Canadian firms. Answers by respondents are included for each subsection.

Lack of Internal Expertise and Education

A widespread lack of internal expertise and education regarding Islamic finance was noted by several respondents, who frequently described the need to rely on external advisors to fill these knowledge gaps. One participant explained, “We didn't really have any internal expertise...we would have to externalise everything” (R04), highlighting the extent to which institutions are dependent on outside support. This sentiment was echoed by another interviewee, who observed, “I think it is a lack of understanding of what Islamic finance involves” (R10), suggesting that unfamiliarity with the foundational principles of Islamic finance is common within Canadian financial institutions.

The challenge is particularly acute among those responsible for approving new products and services. As one respondent noted, “I would say is people don't understand it...especially people that are in the position of approving things” (R14). This lack of understanding at key decision-making levels can impede the development and approval of Islamic financial offerings. Another participant further emphasised the issue, stating, “I would say...the lack of experience for some of the employees...it's not...at level that [it] needed to be” (R21), underscoring the broader organisational deficiency in relevant expertise.

Respondents suggested that their organisations were ill equipped to navigate the complexities of Islamic financial products and services, which often led to a heavy reliance on external advisors. This deficiency in internal understanding hence hindered their ability to develop and offer Islamic financial products independently. Moreover, the need to outsource expertise regularly led to increased costs and potential delays in their decision-making processes, further constraining the growth and adoption of Islamic finance within their firms. This was seen as a limitation their competitiveness in markets with significant Muslim populations.

Limited Investment in R&D

Institutions, particularly smaller ones, rarely invest in R&D on Islamic finance, often viewing it as outside their strategic priorities. As one credit union respondent succinctly stated:

“R&D is nowhere to be found. That's just not on [our] landscape it's not on the landscape at all, even though credit unions in general are very well known for being innovative... And so, R&D is just not something that you see spoken to in business strategy” (R01).

Larger institutions are not immune from this either, as one respondent from a Schedule I bank noted, “I could tell you we have \$0 towards R&D in [our department] because we have

so many things we have to address” (R08). Even among organisations that are otherwise active in R&D, there is a notable absence of focus on Islamic finance. As another interviewee highlighted, “We do a lot of R&D, so we have that, but we generally haven't done R&D on Islamic financing” (R15).

This lack of investment is closely tied to broader organisational tendencies to prioritise established products and services over new or niche offerings. For example, one respondent explained:

“I only have so much [resources] to focus on specific products and those that are typically performing well over time and our gaps in models are typically where would tend to focus. And Islamic products do not have a traditional spot in a typical portfolio” (R17).

The evidence suggests that respondents' organisations frequently perceive Islamic finance as peripheral to their core business objectives, which result in a lack of dedicated resources and funding for exploring these innovative products and services in this domain. The absence of R&D efforts impeded the ability of institutions to develop new Islamic financial instruments. In so doing, firms were unable to adapt to evolving market demands or improving existing offerings to accommodate client needs.

Capacity and Resource Constraints

Resource constraints, both human and financial, were also cited as significant barriers to pursuing new product development within financial institutions. Respondents frequently described the challenge of balancing core business activities with the pursuit of innovative ventures. One respondent noted that, “The biggest barriers right now are... the overall reprioritisation of work and business that is core to the organisation... and that take a lot of time and human and monetary capacity” (R13). This ongoing reprioritisation was described as a “balancing act all the time,” with the respondent adding:

“We like to say relentless reprioritisation and trying to meet those balancing needs. And so, I think it's not for a lack of desire to innovate, but a lack of balancing what we talked about earlier, capacity and resources.” (R13).

The strain on existing personnel and budgets means that organisations often have limited resources to allocate to new initiatives. As one respondent highlighted, “One of the main barriers to being more [innovative] when it comes to starting such projects would be the limited resources we have” (R21). Another respondent explained, “I only have so much time [and] resources to focus on specific products...and Islamic products do not have a traditional

spot in a typical portfolio” (R17). Yet another two respondents further outlined, “We're very tight on resources...you can just imagine the amount of pressure on the individuals within the [firm]” (R03) and “You'll have this very scarce amount of capacity and resources to throw around initiatives” (R05). This reality made it increasingly difficult to justify additional projects, especially when teams are already operating at, or near full capacity.

Consequently, decision makers tended to allocate resources and attention to initiatives that promise broader market impact or more certain financial returns.

Islamic finance projects are often relegated to a nice-to-have status rather than being viewed as essential or strategically critical to firms. The perception that Islamic finance caters to a niche market segment results in its classification as a lower-priority initiative. As a result, Islamic finance projects often struggle to secure the necessary resources and attention required for successful implementation and growth within organisations.

4.1.3 Organisational and Cultural Barriers

The integration of Islamic finance into traditional banking systems faces many organisational challenges as well. Key barriers include organisational inertia, lack of executive support, as well as an overall risk aversion at the corporate level. These barriers were particularly pronounced in the context of Islamic financial products, as it often required new operational processes and mindsets. The following section highlights each of the organisational and cultural barriers providing insights from respondents on the specifics of each.

Organisational Inertia and Resistance to Change

Many interviewees described a deep-rooted resistance to change within their institutions, with a strong tendency to adhere to legacy practices rather than exploring new ones. One respondent captured this sentiment by stating:

“This is the way we've been doing it for a hundred years. There is no other way for us to do a mortgage but this way. These are the documents that we've been using for a hundred years. We are not allowed to make any changes to it or else the world is going to come to a sudden stop” (R01).

Another mentioned that “Anytime you want to innovate within a big bank, there are lots of different approvals that are required and things that move more slowly than others” (R02). This conformity to established routines reflected a broader organisational inertia that can impede the adoption of new financial products and services.

The impact of organisational culture on innovation was also highlighted when one respondent noted, "In this case, [our organisational culture] stopped us from continuing to go and dig deeper" (R07). Additionally, R06 captured it well when the respondent articulated that "In a very large organisation, typically innovations become a bit of a challenge...I would reiterate [that] the culture can be a barrier...in terms of...[the] promotion of innovation and challenging status quo." The same respondent further added that, "I've seen that protecting status quo...basically shut down or slowed down innovation quite a bit" (R06). This suggests that even when there is initial interest or exploration, entrenched cultural norms can still halt further progress toward innovation or change.

Moreover, the cautious approach of highlighted by participant was further emphasised by another respondent, who explained:

"We are mainly at traditional asset management firm. We do try to be innovative, but we will not be the first movers. We have a fiduciary duty to a lot of our clients...Things tend to move a bit slower with firms like that" (R21).

Another respondent provided a similar response having indicated that, "There is sort of that mentality within large institutions, we've always done it this way, and it works. Then why adopt change" (R12). This highlighted the preference for stability and predictability, and how it often took precedence over the adaptation of new financial paradigms such as that of Islamic finance.

The resistance to change described by respondents appeared to be a significant barrier to the adoption and integration of Islamic finance within Canada's traditional financial environment. This reluctance stemmed from a combination of institutional inertia and a comfort with established practices. There was also a general aversion to the risks associated with implementing new modes of financing (more on this in the Risk Aversion and Perceived Risk section below). As highlighted above, the identified complexity and unfamiliarity with Islamic finance principles further compounded this resistance. Overall, respondents indicated that their firms viewed the offering of Islamic financial solutions as a daunting task, requiring substantial changes to their operations as well as their staff expertise.

Lack of Executive Sponsorship and Internal Champions

The absence of internal champions or executive sponsors was repeatedly cited by interviewees as a critical barrier to innovation within financial institutions. As one respondent succinctly put it, "It really comes down to executive sponsor because if you don't have somebody who is passionate about it... it will usually die on the vine" (R18). This highlighted

the pivotal role that executive sponsors play in ensuring that innovative ideas, such as those of Islamic finance, gain traction and are properly supported through to their eventual implementation.

The importance of strong leadership support was further emphasised by another participant, who noted, “That could be because we would need a very strong, a voice from a product side to say, yes, I’m willing to take this risk in order to offer these products” (R03). Without such advocates in leadership positions, innovative initiatives often failed to move beyond the conceptual stage, as there was insufficient momentum or willingness to champion them.

Having an internal advocate who is not only invested but also knowledgeable and connected within the community was also identified as a key enabler. As one interviewee observed, “I think having a champion internally might help where that champion was not just vested, but also knowledgeable about the space and connected in the community to help navigate that” (R02). The expertise and networks of such advocates was seen to be instrumental in navigating the complexities of implementing new ideas and in gathering valuable insights from both within, and outside the organisation.

Moreover, the need for direction and leadership at the highest levels was highlighted as a prerequisite for progress. One respondent remarked, “I don’t think this requires a lot of innovation, frankly, I don’t know why we’re not pushing harder on it in the bank side... I think it requires [organisational] direction and leadership internally” (R22). Another mentioned, “The second part though is sponsorship. You’ve just got to find someone who’s going to sponsor the opportunity. You can’t find that sponsor. It makes it really tough.” (R08). This underscored the idea that even promising initiatives may struggle to overcome institutional inertia and resistance to change in the absence of visible and committed leadership.

Executive sponsors and internal champions played a crucial role in driving innovation as they provide resources and remove bureaucratic barriers. Their influence would help align innovative initiatives with organisational goals and hence secure the necessary funding. As R22 further commented:

“We need leaders to sit in a room together and say, yeah, we’re focused, committed on this. We’re each going to put in \$5 million to get rid of the tech debt and we’re going to align how we adjudicate the credit and we’re going to make this a priority.”

Furthermore, visible sponsorship support would send a powerful message to the entire organisation about the importance of innovation thereby encouraging the workforce to contribute ideas and take risks on new initiatives. Initiatives such as the introduction of

Islamic finance may struggle to achieve meaningful progress within the organisation without these key executives championing innovation efforts.

Risk Aversion and Perceived Risk

A pervasive culture of risk aversion, particularly in large institutions, inhibits the pursuit of innovative or unfamiliar products. Respondents consistently described how risk or the perception of it, especially when associated with something unknown, can be a significant barrier to innovation. As one respondent highlighted, “I can definitely see in other organisation[s] that lack of, or not wanting to take risks...can be potentially an issue in terms of promoting innovation...and protecting status quo” (R06). This sentiment was echoed by another interviewee, who stated, “I think risk has been the inhibitor, whether you want to call it risk tolerance, risk acceptance, understanding of the risk or...qualification of the risk. I think that has been the primary inhibitor” (R10).

The cautious approach taken by financial institutions is deeply rooted in organisational culture, which tends to prioritise stability and predictability over the potential gains from novel solutions. One respondent illustrated this ingrained mindset by noting, “Again, going back to the fact that you're a schedule one bank, you're a decent bank, risk avoidance is kind of ingrained. It's a tattoo we have on our left arm” (R05). This risk-averse mentality is further reinforced by the regulatory environment in Canada, where, as one participant noted, “[The] two biggest points of emphasis from regulators in Canada...[are] the safety and stability of our financial markets” (R03).

The perception of risk often outweighed the actual risk involved, as decision-makers tended to overestimate the potential negative consequences of embracing new products or methodologies. As one participant explained, “Risk is sometimes perceived, and so the perceived risk is seen as greater. And that perceived risk is coming from the fact that this is something that is unknown” (R01). This heightened sense of risk is primarily rooted in the unfamiliarity and uncertainty associated with innovative products, which led in the case of some respondents to a reluctance to deviate from established practices. The banking sector exemplifies this risk-averse mentality well, with institutions inclined to err on the side of caution and view any departure from conventional practices as a potential threat to their stability and reputation. In the case of the respondents interviewed, the fear of making mistakes when implementing new systems or products often resulted in a preference for maintaining the status quo, even if it means foregoing the potential benefits or competitive advantages that innovative solutions would offer.

4.1.4 Regulatory and Structural Barriers

Additional impediments to the proliferation of Islamic finance in Canada were attributable to regulatory and structural constraints. These included regulatory uncertainties, high costs of Shariah compliance, and product complexity, coupled with technological infrastructure that was often inadequate for these specialised products. These barriers were reported to have hindered the adoption of Islamic finance in Canada's financial firms. Each subsection below elaborates on each of these four barriers.

Regulatory Uncertainty and Fragmentation

The lack of a clear and streamlined regulatory framework in Canada was cited by respondents as a significant barrier to the growth of Islamic finance. This was coupled with the complexity of dealing with multiple provincial regulators, as Canada does not have one unified set of regulations. As R01 answered when questioned what her firm needs to be comfortable in order to provide more Shariah-compliant product:

“We are a regulated institution and so having the comfort that our regulators are comfortable with it. I don't want to take something on that's going to make the regulators ask me [more] questions than they already are asking.”

Another respondent alluded to this as well when noting, “You have to convince the regulators that this is worth doing” (R03). R06 further highlighted the sluggish and perhaps cumbersome regulatory environment in Canada by stating:

“I feel like the regulators and some authorities [are] slow in adopting to the new ideas and new strategies. And that all creates a barrier for the firms to be innovative and [create] useful and helpful product, innovative product for clients out there in the market.”

Additionally, the absence of a unified approach created a challenging environment for financial institutions not only for conventional financial products but also stifled efforts to introduce Islamic finance practices within respondents' firms. As one interviewee described, “Canada is a highly regulated financial environment... this is in essence an interprovincial trade barrier” (R09). This interprovincial variation in rules and regulations significantly hampers the growth and adoption of Islamic financial products and services, as it creates an environment that is arduous to innovate within.

The complexity of navigating this fragmented regulatory landscape was further illustrated by the challenges respondents reported when seeking approval for new Shariah-compliant

products. One respondent explained, “[If] we go to the [regulator] and we say, okay we want to do this, and they say: ‘no...[these] checks and balances [need to be] put in place to be able to qualify’...[then] it may become [a deal killer]” (R04). This highlights how regulatory uncertainty and the need to satisfy varying requirements have stalled or even prevented the introduction of innovative financial products.

This regulatory uncertainty often left financial institutions and practitioners in a precarious position, uncertain in how to navigate the legal and compliance aspects of Islamic finance. As a result, many firms were deterred from entering this space. Respondents expressed a need for a more coordinated approach among provincial regulators and the federal government in order to establish a clear and consistent regulatory framework. This would foster the growth of Islamic finance while ensuring compliance with Canadian financial standards.

Product Complexity and Suitability

The complexity of developing and integrating Shariah-compliant products was also highlighted by many respondents as a significant barrier to the adoption of Islamic finance in Canada. The intricate nature of these products, as well as with the need to adhere strictly to Islamic financial principles, created a complex challenge for financial institutions. For example, hedging activities, which are crucial for risk management in conventional finance, become particularly problematic in the context of Shariah compliance. As one respondent explained, “The hedging activity in the Shariah compliant world is actually extremely difficult” (R06), reflecting the restrictions on certain financial instruments and practices that are considered non-compliant with Islamic law.

Furthermore, the difficulty in fitting Islamic finance into existing product suites highlighted the fundamental differences between conventional and Islamic financial systems. This incompatibility stems from the unique requirements of Shariah-compliant products, which must avoid interest-based transactions and excessive uncertainty, as was articulated in Chapter 2. One participant noted the challenge of product development in this context, stating, “We couldn't figure out a way to generate something...that would get the appropriate blessings, that [it] was basically a non-interest-bearing product” (R07).

The downstream implications for liquidity management were also emphasised in the data. As one respondent observed, “If you have a portfolio of Shariah loans, it's much harder to sell it on the wholesale market. So, you've got a liquidity issue” (R11). This highlighted how the non-standard nature of Shariah-compliant assets limited their secondary market appeal, thereby increasing the complexity of balance sheet management for institutions.

Overall, these challenges illustrated that the complexity of developing Shariah-compliant products often required significant resources, specialised expertise, and innovation in order to create offerings that are both compliant and commercially viable. This posed a challenge for some financial institutions exploring how to provide such solutions to existing or new customers.

High Cost and Complexity of Shariah Compliance

The cost and complexity of obtaining Shariah compliance certification were frequently mentioned by respondents as significant barriers to the introduction and growth of Islamic finance in Canada as well. This was in addition to the lack of standardisation among Shariah boards, which was similarly mentioned as an impediment. The process of obtaining Shariah compliance certification involves extensive reviews and approvals by Shariah boards, which can be both time-consuming and expensive. As one respondent observed, “A Shariah product is more expensive to bring to market and administer” (R11), highlighting the financial burden associated with developing and maintaining such products.

The financial burden of certification was further emphasised by another respondent, who noted,

“One of the barriers that we saw was really a reasonable price for a Shariah compliance certification...We [didn't] think you need to necessarily pay this exorbitant amount of \$500,000 to a million dollars just to get this compliance approval. [That] would negatively impact your investments as well” (R16).

This underscored how the high costs associated with certification can directly affect the competitiveness and attractiveness of Islamic financial products.

The ongoing administration of Shariah compliant products added to their overall costs. Financial institutions must ensure continuous compliance with Islamic principles, which may require regular audits and adjustments to their products and processes. The process of securing approval from community leaders can also be costly and complex, as described by one participant: “I think it was with the Imam, where we had to get approval from this leader in the community and the process and the cost of which seemed to be prohibitive” (R02).

The lack of standardisation among Shariah boards further complicated matters, as different boards may interpret Islamic financial principles differently. This inconsistency created additional uncertainty for financial institutions, as they could not predict how various Shariah boards would interpret and approve their products or contracts. As one respondent

explained, “Because the boards are all different, there's also uncertainty not only in the decision making, but how they're going to interpret the contracts themselves” (R11).

This increased complexity and cost made Islamic financial products possibly less competitive compared to conventional alternatives, potentially limiting their market appeal and adoption. The challenge is particularly pronounced for smaller institutions or those new to Islamic finance, as they struggled to absorb these additional costs and navigate the complex landscape of Shariah compliance.

Legacy Systems and Operational Challenges

Existing systems and infrastructure are often not equipped to handle the requirements of innovative products and service, necessitating significant investments to allow adaptation. These legacy systems were designed primarily for conventional financial products, often lacked the necessary flexibility and functionality to handle the unique requirements of Islamic finance. The technical hurdle is further compounded by the complexity of Shariah compliant products that are fundamentally different from traditional interest-based products. As one respondent explained, “Technically I have to touch all my savings systems... the problem becomes one of the size of change” (R08). This highlighted the extensive modifications required to accommodate Islamic finance within legacy financial systems. Another participant noted this fundamental limitation of current infrastructure systems, stating, “There was no piping that could handle Shariah compliant loans” (R11).

The inertia caused by local system architecture was also identified as a substantial barrier. When asked whether this would hinder the introduction of Islamic financial solutions at the firm, one respondent affirmed, “I would say so, yes. It's similar with any new product development we want to make...it would be probably a pretty significant effort. So [existing systems architected is] probably a pretty big barrier” (R20). Another respondent corroborated this when asked if legacy systems were a barrier by saying,

“That is massive barrier. There is a practicality of legacy systems that you're dealing with. And so even when you have the innovative idea or the innovative experience, [it] sometimes takes longer to implement it and heavier lifting than you think because you're dealing with legacy technology and tying different older systems together is very tough.” (R08).

Further, when R14 was asked if he believed legacy systems were a barrier to innovation, the respondent replied, “Yeah, I would say actually across most firms, I can [say] that most firms in Canada that say have been around for a long time and didn't just open up in the last five,

10 years.” Many respondents in fact highlighted the lack of built in support for the unique structures of Islamic financial products as an obstacle. These responses support the view that the modifications process requires substantial investment in both time and resources, as it involves modifying or replacing core banking systems, accounting software, and operational processes.

Despite these challenges, there was recognition among respondents that technological upgrades could eventually facilitate the integration of Islamic finance. As one interviewee observed, “I think technology could be a big enabler in this space eventually, as we have to modernise eventually some of our core systems. The more and more they get modernised, the easier it is to do these things” (R08). Nonetheless, the scale of change required to implement Shariah-compliant solutions within existing technology frameworks was described as considerable. Overall, many respondents indicated that accommodating Islamic financial products and services at their firms would necessitate comprehensive reviews and potential overhauls of existing system architecture. These adaptations were reported to extend beyond mere software updates, often requiring fundamental and costly changes and redesigns.

4.1.5 Systemic and Societal Barriers

Respondents indicated that, in addition to regulatory and operational challenges highlighted above, the growth of Islamic finance in Canada is also impeded by systemic obstacles as well as societal attitudes and community interactions. Participants identified a range of barriers, including racism, Islamophobia, and personal bias, as well as limited political will among policymakers and financial institutions. Intra-community divisions within Muslim communities were also noted as complicating factors. Together, these issues were seen as material impediments to the broader acceptance and development of Islamic finance in Canada. These barriers are reported on below.

Racism, Islamophobia, and Personal Bias

A prominent theme that emerged from the interviews was the presence of systemic racism and personal biases against the Muslim community as well as Islamic finance. Often fuelled by negative media narratives and societal attitudes, harmful perceptions about Islamic finance impeded objective assessment of the business case for Islamic finance. This was highlighted by several interviewees and one respondent stated, “The greatest barrier is systemic racism. It stops people from even looking at the business sense that this product makes. Personal biases, it really becomes a great barrier to moving the concept forward for people.” (R01). This underscored how deep-seated prejudices can overshadow rational

evaluation of the economic and commercial benefits and the potential of Islamic financial products can have. Another respondent pointed to the persistent stigma that shaped these perceptions: “There will always be a bias associated with [Islamic finance] because it does have a certain stigma attached to it.” (R16).

The issue was not limited to explicit discrimination but also included more subtle forms of Islamophobia and hesitancy at the institutional level. Another participant observed,

“In Canada the term Shariah law is a very loaded term... There is a component of Islamophobia, very understated, but it's there, but it's more so the hesitation that their shareholders may say, why are we getting into a product, that is, where our capital, shareholders' capital is being applied based on some religious guidelines and not just guidelines of best return on investment” (R12).

Also, as one banking leader put it,

“A bank also wants to be agnostic. They want to appeal to everyone... It's like, okay, if there's a war or if there's an event between two warring parties, it's not to say one's right or one's wrong. Sometimes the bank doesn't want to just get in the middle of [it].” (R08).

These comments illustrated how concerns about perceptions and the association of Islamic finance with religious identity can create additional barriers to its adoption. Relatedly, these considerations can perpetuate avoidance as highlighted by another respondent who commented that, “sometimes firms don't want to associate themselves with certain faiths” (R21).

This prejudice extended beyond institutional decision makers and can be exhibited from individual clients of those institutions, thereby further hindering the recognition of the business potential and economic benefits that Islamic finance could offer. One respondent highlighted this by commenting that, “We have exposed ourselves to a lot of abuse from the general Canadian community, particularly on social media by offering this [Islamic] product. So that is a deterrent as well.” (R12). Another echoed this by reporting,

“I would say the main thing for the, so any sort of a Shariah investment is there's a perceived risk. I think that if you offer it then you may, if you're a large company or an established company, then you may be triggering people who just the presence of something makes them angry regardless of whether or not you're backing it officially or whatever the case may be” (R18).

Such Islamophobia not only affected the Muslim community directly but also impeded the broader financial sector from embracing potentially valuable and innovative financial solutions. It prevented stakeholders from objectively assessing the business case for Islamic finance, potentially leading to missed opportunities for financial institutions and consumers alike. The perception of Islamic finance as something exclusively for “the other” further isolated it from mainstream financial discussions and considerations. This othering effect created a divide that went beyond religious differences. It potentially limited economic inclusivity and diversity in the financial sector and overcoming these ingrained biases will require concerted efforts to educate, raise awareness, and promote unbiased evaluation of Islamic financial products based on their merits and potential contributions to the broader economy.

Lack of Political Will and Community Fragmentation

A lack of political will, both within government and financial institutions, was identified by respondents as a barrier to the development of Islamic finance in Canada. As one interviewee explained,

“I think political will is a big one, and I don't just mean political will from the government perspective. Certainly, if there was political will at the government level, that would certainly help. But I think that there needs to be political will even within large organisations such as banks or financial institutions” (R09).

This was similar to input from another respondent who noted, “I think [the introduction of Islamic finance] requires political direction and leadership internally” (R22). This highlights the importance of commitment and leadership not only from policymakers but also from senior decision-makers within the financial sector.

Political will plays a crucial role in determining whether barriers lead to inaction or are actively addressed. When policymakers consistently prioritise inclusion in financial sector policies, it helps unify inconsistent federal and provincial regulations and clarifies how Shariah-compliant products are treated. Without this commitment, uncertainty remains and perceived risks increase, resulting in institutional resistance to change. Within institutions, political will is reflected in strong leadership and executive support, where leaders are more comfortable allocating resources and developing internal expertise and capabilities in Islamic finance. It also translates into a stronger engagement with regulators and community stakeholders. If this support is lacking however, initiatives related to Islamic finance often fall to the bottom of the priority list. Additionally, societal attitudes affect corporate willingness to address the needs of minority markets. Overall, clear political support, such as integrating

diversity and inclusion goals into financial policies and promoting awareness campaigns, can help reduce uncertainty, legitimise market development, and encourage collaboration among various stakeholders.

In addition to a lack of political will, intra-community politics and a lack of unanimity within Muslim communities were noted as complicating factors. One respondent remarked, "That lack of [community] unanimity is a problem with developing a halal product in Canada" (R12), pointing to the challenges that arise when there is no clear consensus or unified voice within the community itself. The respondent further commented that,

"[The] Muslim community in Canada...may appear to be a wholesome monolith...[but] that is not the case. It is a very diverse group of people that just happen to share the same religion, but they come from different parts of the world. Their interpretation of the holy Qur'an may be different in certain aspects, and they definitely can be divided by what mosques they affiliate themselves with. So, we found that these groupings often will pose a certain barrier." (R12).

This fragmentation can make it difficult for external stakeholders to engage in meaningful consultation and to accurately understand and address the community's needs.

The combination of limited political will and community fragmentation presented significant challenges in developing halal financial products in Canada. Respondents commented that government officials and financial institutions often appeared hesitant to address this topic, and such reluctance created a barrier to implementing necessary policies and regulations that would support the growth of Islamic finance in the country. Within the Muslim community, diverse opinions and the absence of a unified voice further complicated the situation. Taken together, these barriers make it challenging for advocates to build momentum and advocate effectively for the development of Islamic financial services.

4.1.6 Reputational and Authenticity Barriers

The final theme that emerged with respect to barriers for the growth of Islamic finance in Canada centered on the integrity of firms considering providing these products and services. Responses collected highlighted that financial institutions were acutely concerned about reputational risks and possible backlash from offering Islamic financial products. Further, concerns about authenticity and reputation were not insignificant, given that institutions feared being perceived as opportunistic rather than genuinely committed to Islamic principles. The risk of reputational damage from non-compliant or poorly executed Islamic

financial products was reported as significant. The following subsections highlight these concerns based on information provided by the respondents.

Reputational Risk and Public Perception

Concerns regarding reputational risk and a potential backlash from a firm's broader client base or shareholders were cited by several respondents. Institutions feared being perceived as either opportunistic or as aligning with controversial religious or political narratives. As one interviewee explained, "To do something like this...you're serving one market but are you antagonising another part of your market...If you offer it then you may... be triggering people, who just the presence of something makes them angry..." (R18). This highlighted the delicate balance institutions must strike between serving specific market segments while still maintaining broad appeal to the larger population of clients.

The sensitivity around reputation in the Canadian financial sector was further emphasised by another respondent, who noted, "I think especially when you're in financial services in Canada, all you have is [your reputation], and it's very hard to build it up, and it's very easy for it to be taken away from you" (R09). This underscored the high stakes involved in any decision that could be perceived as controversial or divisive. Similarly, another participant observed,

"It is definitely a possibility that from a reputational perspective, I mean this is an area we didn't talk about, and I think sometimes firms don't want to associate themselves with certain faiths, especially when it comes to religion... But I do see that this could be something where certain firms may not want to do that. It really depends on their reach, it depends on their clients. So firms see that based on their client base they have a lot of Muslim [clients], then it may be less damaging" (R21).

Such concerns highlighted the apprehension institutions have about being seen as aligning with particular religious or political narratives, which could alienate other segments of their clients.

Further, several respondents highlighted that the perception of pandering to specific groups, especially those who may be misunderstood by the public, presented additional challenges. They stressed that financial institutions must carefully consider how their product offerings and marketing strategies might be interpreted by customers, shareholders, and the broader public. The concern that some stakeholders may view these specialized offerings as political statements rather than purely financial products further complicated the decision-making

process for institutions seeking to expand their services while maintaining a neutral and inclusive image.

It is important to note however that not all respondents believed that the offering of Islamic financial products and services presented a reputational risk to their firms. One respondent stated, “I personally don't think so. There might be people [who] think that way, but certainly at [this firm], I never heard of that” (R06). In fact, another interviewee suggested that offering such solutions could actually enhance their firm's reputation. The respondent noted, “I mean, we're a diverse organisation that wants to deliver financial solutions to all communities. I think, to me, if we're not providing solutions to these clients, [then] that's the reputational risk” and further mentioned, “I think it's actually a reputational positive” (R22).

Overall, however, more respondents alluded to the fact that the introduction of Islamic financial solutions could be seen as potentially exposing their firms to negative reputational damage rather than not. This underscores the complex landscape that financial institutions must navigate as they balance the desire to serve new and diverse market segments with the objective of maintaining a positive and inclusive public image.

Concerns about Authenticity and Opportunism

Respondents also expressed concerns about their firms being perceived as opportunistic or inauthentic in their engagement with Islamic finance. The apprehension stemmed from the potential perception that their involvement is driven solely by financial motives rather than a genuine commitment to Islamic principles. As one respondent reflected, “I do struggle sometimes with the question of authenticity... how do we play in the space without being seen as like, hey, you're just taking advantage of this new opportunity...” (R03). This highlighted the delicate balance institutions must strike between pursuing business opportunities and maintaining credibility within Muslim communities.

The fear of backlash from the community if offerings were perceived as insincere or poorly designed was also noted. One interviewee explained,

“I think the reputation is if you put out an offering that's not well designed and conceived, you could get a big backlash from their community if it looks opportunistic and just exploiting the belief system. I think that's where the real reputational risk is. But if you design it reasonably and with solid experts, I don't see that as a big issue” (R05).

This emphasised the importance of thoughtful product development and engagement with knowledgeable experts to ensure authenticity and avoid the perception of exploitation.

Questions of trust may also arise if institutions with conventional and non-Islamic products enter the Islamic finance space and begin offering halal solutions. As one participant pointed out, “Now, does the Islamic investor who is looking for a compliant product trust the managers who are also offering a marijuana investment opportunity” (R16). This comment illustrated the potential for scepticism among Muslim investors regarding the sincerity and alignment of financial institutions’ broader business practices with Islamic values.

While institutions are concerned about being perceived as opportunistic in their engagement with Islamic finance, they recognise that careful design and consultation with experts can mitigate such reputational risks and can therefore demonstrate a genuine commitment to Islamic principles. Moreover, respondents reported that another challenge was the ability of a firm to demonstrate credible respect for, and a genuine understanding of Islamic financial principles while also pursuing business growth. Institutions must carefully navigate this space, ensuring their engagement is not perceived as a superficial attempt to capitalise on a growing market trend, but rather as a sincere effort to serve the needs of all their clients, which include many from Muslim communities.

On the other hand, however, some respondents viewed the offering of Islamic financial products by conventional institutions as not only appropriate, but necessary to avoid reputational risk. As one interviewee observed, “So I think it's actually there's a bit of a risk not doing this because if the community were to stand up and say, hey, you're discriminating against us” (R22). This perspective suggested that failing to properly consider offering Islamic financial solution could itself be seen as exclusionary. This therefore may potentially expose institutions to criticism, both from the Muslim community as well as the broader public.

Product Failure and Execution Risk

The risk of reputational damage from poorly executed or non-compliant products was also noted by several respondents as the last potential barrier. Financial institutions would face significant consequences if their Islamic financial products were poorly executed. The same can be said if these offerings were subsequently deemed non-compliant or fail to meet Shariah standards. As one interviewee cautioned, “If we don't execute properly and we get investigated... [if] it doesn't comply with the rules, [then] not only are you in the paper now, but it has client impact” (R04). Additionally, another respondent warned, “We don't want to have something blow up in our face because we didn't fully understand how the product was going to operate in different market environments” (R18). Such failures can lead to negative publicity and substantial client impact. The reputational damage could therefore be

significant. The repercussions extend beyond immediate financial losses, potentially eroding trust and damaging the institution's long-standing reputation in the market. As previously mentioned by one of the respondents who noted, "All you have is [your reputation] ...It's very easy for it to be taken away from you" (R09).

The severity of reputational damage from product related issues cannot be overstated. A failed Islamic financial product launch or a non-compliant rating of a supposedly compliant offering can have far-reaching implications and can overshadow any potential benefits the product might have offered. As one respondent observed, "I think the reputation is if you put out an offering that's not well designed and conceived, you could get a big backlash from their community" (R05). This emphasised the scrutiny that accompanies the introduction of Islamic financial products, given that community expectations regarding authenticity and compliance are particularly high.

In an industry where reputation is paramount, financial institutions often exercise extreme caution and diligence in product development, implementation, and ongoing management. This typically necessitates robust risk management frameworks and stringent compliance checks, not to mention comprehensive quality assurance processes. These strategies would assist in mitigating the risk of reputational harm and could maintain the trust of clients and the broader financial community. As some respondents reported, the potential for reputational damage from product failure serves as a powerful deterrent. It reinforces the need for careful planning and proper oversight throughout the product lifecycle for Shairah-compliant products or services.

4.1.7 Summary of Key Barriers by Category

As has been shown above, the barriers to the development and growth of Islamic finance within Canadian financial institutions are numerous. They span several dimensions including market dynamic, capacity limitation, organisational cultural, regulatory obstacles, societal issue, and reputation barriers. Table 4.1 below outlines the barriers by thematic type as well as select quotes illustrates each category of barriers.

Table 4.1: Key Barriers with corresponding participant quotes

Barrier Category	Thematic Type	Respondent Quotes
1. Market	Market and Demand-Side	<p>"I have heard that has come back from senior management, absolutely...that they don't think that the market is large enough." (R17)</p> <p>"If we had [clients] that were constantly asking for it, and we know for a fact that there's huge demand, I think the industry would shift and would move very</p>

		quickly. I just don't think it is bubbled up as much." (R19)
2. Capacity	Knowledge and Capacity	<p>"We didn't really have any internal expertise... we would have to externalise everything." (R04)</p> <p>"We do a lot of R&D...but we generally haven't done R&D on Islamic financing." (R15)</p> <p>"I only have so much time [and] resources to focus on specific products... and Islamic products do not have a traditional spot in a typical portfolio." (R17)</p>
3. Organisational	Organisational and Cultural	<p>"In this case, [our organisational culture] stopped us from continuing to go and dig deeper." (R07)</p> <p>"It really comes down to executive sponsor because if you don't have somebody who is passionate about it... it will usually die on the vine." (R18)</p> <p>"I think risk has been the inhibitor, whether you want to call it risk tolerance, risk acceptance, understanding of the risk or...qualification of the risk. I think that has been the primary inhibitor." (R10)</p>
4. Regulatory	Regulatory and Structural	<p>"Canada is a highly regulated financial environment... this is in essence an interprovincial trade barrier..." (R09)</p> <p>"A Shariah product is more expensive to bring to market and administer" (R11)</p> <p>"We couldn't figure out a way to generate something...that would get the appropriate blessings, that was basically a non-interest-bearing product." (R07)</p> <p>"There was no piping that could handle Shariah compliant loans." (R11)</p>
5. Societal	Systemic and Societal	<p>"The greatest barrier is systemic racism. It stops people from even looking at the business sense that this product makes." (R01)</p> <p>"I think political will is a big one, and I don't just mean political will from the government perspective...there needs to be political will even within large organisations such as banks or financial institutions." (R09)</p> <p>"That lack of [community] unanimity is a problem with developing a halal product in Canada." (R12)</p>
6. Reputational	Reputational and Authenticity	<p>"To do something like this...you're serving one market, but are you antagonising another part of your market...If you offer it then you may... be triggering people who just the presence of something makes them angry..." (R18)</p> <p>"I do struggle sometimes with the question of authenticity... how do we play in the space without being seen as like, hey, you're just taking advantage of this new opportunity..." (R03)</p>

“I think the reputation is if you put out an offering that’s not well designed and conceived, you could get a big backlash from their community.” (R05)

Source: Author’s interview data

4.1.8 Rationale for the Ordering of Barrier Categories

The ordering of barrier categories in this thesis were intentional to reflect both the empirical realities of the Canadian financial sector and established theoretical perspectives on financial innovation. This sequence was designed to mirror the logical progression of decision making within financial institutions, as well as the cumulative and interdependent nature of the barriers themselves.

At the outset, market and demand-side barriers were presented as the foundational consideration. In the context of financial innovation, the perceived size and explicitness of market demand serve as the primary filter through which all subsequent decisions are made. If the market for Islamic finance was viewed as too small or if client demand was not clearly articulated, institutions are unlikely to allocate resources or assume the risks associated with developing new Shariah-compliant products. This finding was consistently echoed in the academic literature as well (Johnson and Kwak, 2012; Masiukiewicz, 2017; Hermosilla and Wu, 2018), underscoring the centrality of demand as the first and most critical hurdle to overcome.

Following market considerations, knowledge and capacity barriers were presented. Even when demand was evident, the ability of an institution to respond effectively is contingent upon its internal expertise and resources. A lack of capacity or relevant knowledge can act as a critical bottleneck, preventing innovation from advancing beyond the conceptual stage. This category was therefore positioned immediately after market barriers, as it represents the next logical step in the innovation roadmap and the translation of opportunity into actionable strategy.

Organisational and cultural barriers were then highlighted next, reflecting the decisive influence of institutional culture, leadership, and internal processes on barriers to innovation within Islamic finance in Canada. The presence of market demand and internal capacity only does not guarantee the advent of innovation unless organisations were willing to embrace change and take the required business risks to bring such innovation to fruition. Leadership commitment was thus pivotal in determining whether an institution can mobilise its resources and move beyond established routines. This often presented itself in the form of executive sponsors and internal champions. Willingness to accept risks associated with the creation of

new products in order to obtain economic rewards was similarly a key factor in the successful introduction of innovative products.

Regulatory and structural barriers were placed next in the sequence, as these could impede or delay the launch and scaling of Islamic finance products even when other conditions were favourable. Regulatory uncertainty, high costs and product complexity, as well as the technical challenges presented by legacy systems integration were frequently cited as some of the most stubborn and costly obstacles for innovation. These barriers often required coordinated action at both the institutional and policy levels and can persist even in the face of strong market factors and organisational readiness.

Systemic and societal barriers were subsequently listed, recognising their pervasive and wide-reaching influence. Factors such as systemic bias, Islamophobia, and a lack of political will shape a firm's perceptions of risk thereby influencing all other categories of barriers. While sometimes less visible, these societal dynamics were sometimes deeply entrenched and had a profound effect on both institutional behaviour and market outcomes.

Finally, reputational and authenticity barriers were considered as the last category. These issues often become most salient at the point of public engagement or product launch. Even when all other barriers have been addressed, institutions may still hesitate to proceed if they fear reputational backlash or questions about their motives. As such, reputational considerations represent the final checkpoint before a new Islamic finance product or service is introduced in the marketplace. Table 4.2 provides an overview of the barrier themes and the specific individual barriers comprising each category.

Table 4.2: Summary of barriers to the introduction of Islamic Finance in Canada

Barrier Category	Thematic Type	Individual Barriers
Market	Market and Demand-Side	1. Perceived Market Size and Profitability 2. Lack of Explicit Client Demand
Capacity	Knowledge and Capacity	3. Lack of Internal Expertise and Education 4. Limited Investment in R&D 5. Capacity and Resource Constraints
Organisational	Organisational and Cultural	6. Organisational Inertia and Resistance to Change 7. Lack of Executive Sponsorship and Internal Champions 8. Risk Aversion and Perceived Risk
Regulatory	Regulatory and Structural	9. Regulatory Uncertainty and Fragmentation 10. Product Complexity and Suitability 11. High Cost and Complexity of Shariah Compliance

		12. Legacy Systems and Operational Challenges
Societal	Systemic and Societal	13. Racism, Islamophobia, and Personal Bias 14. Lack of Political Will and Community Fragmentation
Reputational	Reputational and Authenticity	15. Reputational Risk and Public Perception 16. Concerns about Authenticity and Opportunism 17. Product Failure and Execution Risk

Source: Author's interview data

This ordering not only reflected the logical progression of innovation decision making within financial institutions, but also provided a clear, stepwise framework for analysing the numerous barriers facing the introduction of Islamic financial solutions in Canada. By structuring the analysis in this way, the thesis offers a coherent narrative that captures both the complexity and the cumulative nature of the innovation process in this sector.

4.1.9 Frequency of Barrier Category Mentions

The qualitative analysis of interviews with executives and senior leader of Canadian financial institutions revealed a complex landscape of barriers impeding the proliferation of Islamic finance in Canada. As mentioned above, these barriers were grouped into six primary categories, each comprising several underlying sub-barriers. The following section further highlights the findings for each category, outlining the number of respondents who identified each as a barrier thereby providing context for their significance.

Market and Demand-Side Barriers

In total, 17 respondents identified market and demand-side barriers as significant impediments to the growth of Islamic finance in Canada (R01, R03, R04, R05, R06, R07, R08, R10, R11, R13, R14, R15, R16, R17, R18, R19, R21). This was the barrier category that received the largest number of affirming comments from respondents, further demonstrating the importance of this barrier category. Respondents frequently highlighted concerns about the perceived market size and profitability and a lack of explicit client demand as barriers for the proliferation of Islamic finance in Canada. They consistently expressed scepticism about the commercial viability of Islamic finance, citing the niche nature of the market and uncertainty regarding whether sufficient demand exists to justify the investment required for product development to commence. Others noted that even where demand may exist, it is often not clearly articulated by clients. This lack of sufficient demand signalling made it difficult for institutions to prioritise Islamic finance initiatives, as was demonstrated earlier.

Knowledge and Capacity Barriers

Likewise, a large number of respondents, albeit slightly fewer than those who identified market demand as an impediment, highlighted knowledge and capacity as barriers to the proliferation of Islamic finance in Canada. Overall, 15 respondents (R01, R02, R03, R04, R05, R06, R07, R08, R09, R10, R13, R14, R15, R17, R21) highlighted the lack of internal expertise and education regarding Islamic finance, the limited investment in research and development, and the capacity and resource constraints collectively as barriers.

Respondents commonly described a shortage of in-house knowledge about Shariah-compliant finance, which led to hesitancy and/or reliance on external consultants.

Respondents also indicated that limited R&D budgets and competing priorities made it difficult to allocate resources to such novel products. In some cases, these limitations were said to slow internal decision-making cycles and lengthen time-to-market for potential offerings. Capacity constraints, both in terms of staffing and financial resources, were also cited as reasons why Islamic finance was not pursued more aggressively.

Organisational and Cultural Barriers

Organisational and cultural dynamics also emerged as a significant theme, with 12 respondents (R01, R02, R03, R05, R06, R07, R08, R10, R12, R18, R21, R22) highlighting these as barriers to the adoption of Islamic finance in Canada. Many described entrenched habits and a prevailing “business-as-usual” mindset, especially within large or tightly regulated institutions, as a significant barrier. Attempts to innovate were often met with hesitation or outright resistance. In several cases, the lack of an executive sponsor or internal champion meant that even promising initiatives struggled to gain momentum. Without senior leadership visibly supporting Islamic finance initiatives, efforts to introduce such products tended to stall. Risk aversion was another recurring theme as was mentioned earlier. Respondents frequently cited reputational, operational, and financial concerns that made them wary of venturing into unfamiliar territory. As a result, products perceived as novel or potentially contentious were often sidelined in favour of safer, more conventional offerings. The cumulative effect of these factors was a culture that favoured stability over innovation, thereby making it difficult for Islamic finance to be seriously considered by the various firms.

Regulatory and Structural Barriers

Regulatory and structural issues were a recurring concern as has been highlighted previously, and 15 respondents (R01, R02, R03, R04, R06, R07, R08, R09, R10, R11, R12, R14, R16, R20, R22) identified these as obstacles. For many, the regulatory landscape in Canada appeared both fragmented and uncertain particularly regarding non-conventional

financial products. Navigating multiple regulators each with their specific requirements proved to be a daunting and time-consuming process for many respondents. However, the difficulties extended further. Product complexity brought its own set of complications and costs. Obtaining the necessary certifications and maintaining continuous oversight was also viewed as a deterrent. Furthermore, legacy technology and operational systems created additional challenges, as they were often designed primarily for conventional products. These systems lacked the flexibility needed to accommodate Islamic finance and would result in costly and cumbersome adaptation efforts in order to accommodate the new products. Taken together, these regulatory and structural barriers represented a material deterrent to institutions considering the introduction of Islamic financial offerings, as can be seen by the number of respondents to this barrier.

Systemic and Societal Barriers

A much smaller but notable group of respondents (R01, R08, R09, R12, R16, R17, R18, R21, R22) drew attention to systemic and societal obstacles. Racism, Islamophobia, and personal bias surfaced in their accounts, not always overtly. Respondents highlighted that this barrier would dampen enthusiasm for Islamic finance, both within institutions and in the wider marketplace. The absence of political will was another recurring theme, and whether at the level of government or within financial organisations themselves, respondents reported that Islamic finance rarely rose to the top of the agenda, even in the presence of clear social incentives. Fragmentation within Muslim communities added another layer of complexity. Disagreements over religious interpretation made it difficult to achieve the unity needed for collective action or for building scalable solutions. In combination, these societal and systemic factors created an environment where progress was slow and often encumbered with additional challenges.

Reputational and Authenticity Barriers

Finally, concerns about reputation and authenticity surfaced among many respondents (R03, R04, R05, R06, R09, R12, R16, R18, R21, R22). For some, the prospect of negative public perception loomed large, as institutions hesitated to enter the Islamic finance market. As highlighted earlier, this was due to concerns of being accused of opportunism or of exploiting religious identity for profit. Authenticity was equally an impediment, where a few respondents worried that Shariah-compliant offerings would be dismissed as superficial or insufficiently compliant. This could potentially provoke a backlash from Muslim communities. The prospects of product failure also weighed heavily as institutions feared not only the financial consequences of a poorly received product, but also the reputational damage that could follow operational missteps or lack of market uptake. In this environment, even well-

intentioned initiatives may be abandoned, as the risks of negative publicity and questions about sincerity may prove difficult to overcome.

Taken together, these findings illustrate that barriers to Islamic finance in Canada are both diverse and widely recognised across the industry. The relative frequency with which each barrier category was present in the data is summarised in Table 4.3 below. This table provides a clear overview of the prevalence of each barrier theme, underscoring the multifaceted nature of the challenges facing Islamic finance. This emphasises the need for comprehensive strategies in attempting to address such barriers.

Table 4.3 Frequency of Barrier Category Mention

Barrier Theme	Respondent Frequency
Market and Demand-Side	17 respondents
Knowledge and Capacity	15 respondents
Organisational and Cultural	12 respondents
Regulatory and Structural	15 respondents
Systemic and Societal	9 respondents
Reputational and Authenticity	10 respondents

Source: Author's interview data

Several barrier themes that emerged from the interviews were consistent with those identified in the existing literature on financial innovation, particularly the barriers highlighted by Das *et al.* (2018) and incorporated into the theoretical framework guiding this study. The following section therefore examines which of the barriers uncovered in this research align with those barriers in the framework, confirming their applicability in the context of Islamic finance in Canada.

4.2 Application of the Theoretical Framework

The analysis of the interview transcripts confirmed that all six of the innovation barriers identified by Das *et al.* (2018) were present and relevant in the context of Canadian financial institutions' engagement with Islamic finance, but to various degrees. First, a lack of exploiting new ideas was frequently cited by respondents, particularly within large, established organisations. Although not universally indicated by respondents, some described this prevailing tendency to adhere to established products and processes, which often resulted in reluctance to pursue or even consider novel approaches such as Islamic finance. This was especially pronounced in institutions where innovation was not seen as a strategic priority, or when the perceived market opportunity for Islamic finance was deemed too small to justify the risk and resource allocation. For example, R01 stated: "This is the way we've been doing it for a hundred years. There is no other way for us to do a mortgage, but this way...being unwilling to change or not open to exploring different avenues...was

very, very challenging." Conversely, this was not a universal barrier experience by all respondents, as some respondents reported more openness to new ideas, even if resource constraints or market size often limited their ultimate adoption.

Second, inertia caused by systems architecture emerged as a significant barrier by most respondents. They consistently reported the challenges posed by legacy systems, which were often ill-equipped to accommodate the unique requirements of innovative products like those of Islamic finance. The high cost and complexity of modifying existing infrastructure to support new product lines was prohibitive, particularly for smaller institutions or those with limited innovation budgets. As one respondent highlighted: "Technically I have to touch all my savings systems... the problem becomes one of the size of change" (R08). Another also outlined the issue clearly by noting that, "The cost to change those systems to make the little tweaks that we would've required was prohibitive... we kind of forced this product into the existing system... pushed the square peg into the round hole" (R01). In many cases, even when there was willingness to innovate, the technical hurdles associated with system changes acted as a substantial obstacle.

Third, unsupportive organisational structures were identified as a major impediment to innovation especially within large institutions. Many participants described hierarchical decision-making processes, a lack of executive sponsorship, and the absence of internal champions all as factors that stifled the development and implementation of Islamic finance initiatives within their organisations. As stated by a respondent, "It really comes down to executive sponsor because if you don't have somebody who is passionate about it... it will usually die on the vine" (R18). In several cases, promising initiatives were abandoned or indefinitely delayed due to the inability to secure sustained leadership support. In smaller and more agile organisations, or where strong leadership buy-in existed, unsupportive organisational structures were less of an impediment, further confirming the materiality of this barrier.

Fourth, an excessive focus on risk avoidance was a pervasive theme, particularly among banks and insurance companies. Many respondents described a deeply ingrained risk-averse culture, where unfamiliar products such as Islamic finance were viewed with suspicion and caution. The perceived risks often outweighed the potential rewards, leading to a preference to maintaining the existing state at the expense of innovative initiatives. R05 succinctly put it by saying, "Risk avoidance is kind of ingrained. It's a tattoo we have on our left arm." This risk aversion was further reinforced by regulatory uncertainty and the lack of clear precedents in the Canadian market.

Fifth, the absence of fundamental R&D was also widely acknowledged as an innovation barrier, especially in relation to Islamic finance. These respondents reported limited or no dedicated R&D resources for exploring niche or emerging product areas. In cases where R&D budgets existed, innovation efforts typically concentrated on core business lines or larger market segments. As a result, the development of Shariah-compliant solutions was often de-prioritised or left to external consultants, further limiting the implementation of innovation within many firms. "R&D is nowhere to be found. That's just not on [our] landscape" as R01 put it.

Finally, the not-invented-here syndrome was present, though much less prominent than any of the other barriers. While some respondents described a reluctance to adopt models or solutions developed externally, this barrier was generally a secondary issue to those of market size, risk, and organisational inertia. In some cases, institutions expressed openness to adopting proven models from other firms or jurisdictions, provided there was a compelling business case in their own context. One response highlighted this when he reported that there were good ideas invented elsewhere that "we didn't invent" yet "we haven't gone and [tried] to launch a competing product" (R02). In some cases, the not-invented-here syndrome was offset by a willingness to partner with external firms, especially in the presence of a compelling business case to justify the partnership.

Summary of Framework Barriers Confirmed by Respondents

In summary, the interview data confirmed the applicability of all six barriers identified by Das *et al.* (2018) within the Canadian context. As can be seen above, organisational inertia, risk aversion, lack of R&D, and legacy systems emerged as the most relevant obstacles to innovation in Islamic finance. The lack of exploiting new ideas and the not-invented-here syndrome were less prominent than the other barriers. Table 4.4 summarises the applicability of the theoretical framework used for each of the six barriers identified in the literature. These findings are evident across a wide range of financial institutions in Canada and were often mutually reinforcing. This further underscores the need for a holistic, multifaceted approach to overcoming innovation barriers in this sector. The next section elaborates on the interrelationship of barriers further.

Table 4.4: Framework Barriers Confirmed by Respondents

Barrier (Das <i>et al.</i> , 2018)	Confirmed by Respondents?	Illustrative Quotes
Lack of exploiting new ideas	Yes (many)	"Unwilling to change or not open to exploring different avenues." (R01)
Inertia caused by (local) systems architecture	Yes (most)	"Technically I have to touch all my savings systems." (R08)
Unsupportive organisational structure	Yes (many)	"If you don't have somebody who is passionate about it... it will usually die on the vine." (R18)
Too much focus on risk avoidance	Yes (most)	"Risk avoidance is kind of ingrained." (R05)
Absence of fundamental R&D	Yes (most)	"R&D is nowhere to be found." (R01)
Not-invented-here syndrome	Partially	"We didn't invent it...we haven't gone and try to launch a competing product." (R02)

Source: Das *et al.* (2018) and author's interview data

4.3 Interrelationship of Barriers

4.3.1 Introduction to Interconnectedness

Findings from this study indicated that the barriers to the development and proliferation of Islamic finance within Canadian financial institutions are not discrete or isolated phenomena. The data illustrates how market, capacity, organisational, regulatory, societal, and reputational barriers are intertwined together, and such barriers either influence or are being influenced by each other. Although not always explicitly stated by respondents, the multi-nature character of the barriers was evident once participants' overall responses were examined. As one respondent succinctly noted, "Yeah, so listen, there's multiple barriers" (R09), while another described the challenge as, "[It is] probably a multi-prong" issue (R08). This sentiment was echoed by yet another respondent who observed, "They are all related I think" (R21). Collectively, these perspectives highlight the complex and interconnected landscape that shapes the evolution of Islamic finance in Canada.

A more detailed example relates to systemic racism and personal biases, categorised as systemic and societal barriers, and how they were described as reinforcing organisational inertia, itself an organisational and cultural barrier, within financial institutions. As R01 stated:

"The greatest barrier is systemic racism. It stops people from even looking at the business sense that this product makes. Personal biases, it really becomes a great barrier to moving the concept forward for people to understanding the concept because they get stuck on the narratives that are in the media. They get stuck on their personal opinions of the faith and that stops them from actually looking at the risks and looking at the actual, the important things."

Organisational inertia was also described as being influenced by internal culture and a lack of executive sponsorship. For instance, R07 noted, "I would say probably, in this case, [our organisational culture] stopped us from continuing to [go] deep and dig deeper." Similarly, R18 highlighted the importance of leadership in overcoming inertia, "It really comes down to executive sponsor because if you don't have somebody who is passionate about it... it will usually die on the vine."

Furthermore, regulatory standards, which was identified as a regulatory and structural barrier, was described as compounding organisational risk aversion, an organisational and structural barrier. R05 highlighted this interconnectedness by stating, "We have regulators that actually forced the entire firm into status quo because it's a risk management business. So, by default, the system, the people, the industries has much less appetite for risk taking." The regulatory requirements were hence seen as amplifying risk avoidance within institutions.

Another example of interconnectedness appears in R02's observation, who noted "Another barrier would've been...archaic operational infrastructure like [internal legacy system] ...so there was a lot of inertia [and our] objective is to just not rock the boat and not to have innovation come" (R02). In this instance, legacy systems, which was classified as a structural barrier, can have a compounding effect, leading some firms to hesitate to disrupt the status quo, reflecting an organisational and cultural barrier.

Market perceptions and demand-side considerations were also found to interact with internal organisational dynamics. Several respondents described the perception that the market for Islamic finance in Canada is too small to warrant significant investment, which discourages institutions from investing in R&D or building internal expertise. R16 stated:

"The big problem there is that the total addressable market that we saw for these assets was well under 200 million in Canada at the time. And for us to be able to grab those assets in terms of penetration, we didn't see a viable product in excess of around 30 to 40 million, which is what stifled our sort of like a pursuit of that product."

R17 also commented on the influence of perceived demand on resource allocation: "I only have so much time [and] resources to focus on specific products... and Islamic products do not have a traditional spot in a typical portfolio."

These findings illustrated that barriers to Islamic finance in Canada are often experienced as interconnected and mutually reinforcing, rather than as isolated obstacles. Respondents

consistently described how the presence or intensity of one barrier often amplifies or perpetuates others, resulting in a compounded effect.

4.3.2 Feedback Loops and Cycles

Respondents described the presence of self-reinforcing cycles that perpetuate the status quo in Islamic finance in Canada. These were reported as occurring when the existence of one barrier intensifies or sustains another, creating an ongoing cycle. In essence, the presence of one barrier compounds another seemingly unrelated barrier. Three feedback loops were identified, with the first relating to market size, institutional investment, and product availability. The second interrelated regulatory uncertainty risk aversion, and executive sponsorship. The last feedback cycle involved internal expertise, external resources, and costs. Each of these loops is elaborated on below.

Market Size, Institutional Investments, and Product Availability Feedback Loop

The first feedback loop identified related to perceived market size, institutional investment, and product availability. Several respondents noted that the market for Islamic finance is perceived as too small to justify significant investment. For example, R21 stated: "I would say it still falls within the niche category where we tend to look at major building blocks for the masses" (R21). Similarly, R18 remarked: "The requests we get seem to be more sporadic than consistent and growing."

R16 described the impact of these perceptions on investment decisions:

"The big problem there is that the total addressable market that we saw for these assets was well under 200 million in Canada at the time. And for us to be able to grab those assets in terms of penetration, we didn't see a viable product in excess of around 30 to 40 million, which is what stifled our sort of like a pursuit of that product."
(R16)

Others highlighted a similar relationship, with R17 noting, "And the growth opportunity for what was presented at [firm], it did not warrant the investment at that time because the Canadian marketplace is quite small" (R17). Comparably, R06 reported, "Still the Islamic market I would say, relative to the rest of the market, is a small portion of, small portion of the market, hence that's basically when...[it is] a bit of a challenge [for the project] get qualified to being worked on" (R06).

When reflecting on the reasons for the lack availability of Islamic financial solutions within their firms, several respondents pointed to the investments required, which have not been

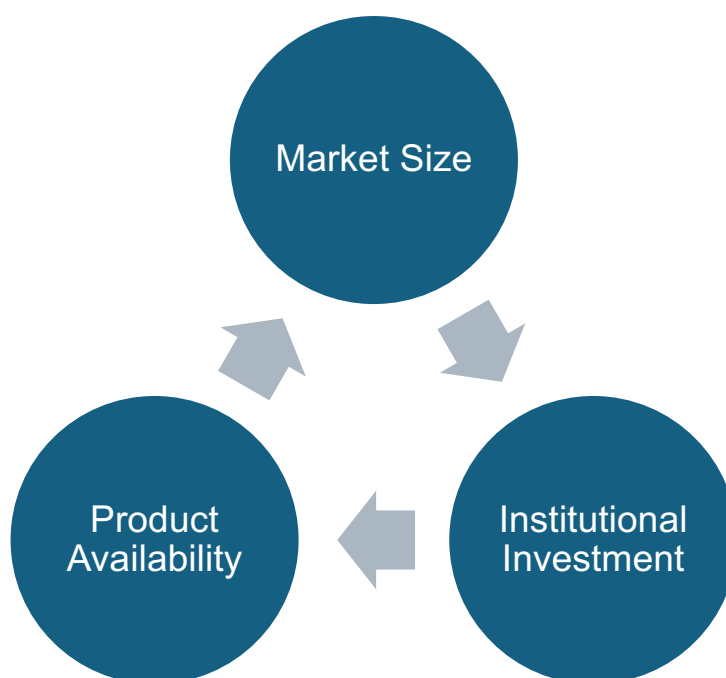
committed by their organisations. R10 noted, “The amount of work to go meet that opportunity would be just too great”. Another respondent indicated,

“The biggest barriers right now are two things. One is just like what I talked about earlier, just about the reprioritisation and just the work that has to be done...upgrades and all those type of IT things that require significant investment and that take a lot of time and human, human and monetary capacity.” (R13).

In turn, this lack of product availability perpetuated a perception of limited market demand. As an example, a respondent was asked whether their firm offers Islamic financial solutions, to which they confirmed that it does not. They went on to elaborate as to why, indicating that, “It's really just a question of the size of the pie” and it's “the size of the opportunity to justify those adaptations, I would say” (R05). R04 gave a similar response to the same question and noted, “I don't think there's a large market out there that we're missing out on.”

Hence, respondents indicated that the perception of a small market size led to a reluctance to allocate resources to research, product development, or marketing. This in turn led to a limited range of Shariah compliant products and services available at the financial institutions. Consequently, this reinforced the perception among firms that demand is insufficient. Figure 4.1 outlines the relationship between market size, institutional investments, and product availability.

Figure 4.1: Feedback Loop (Market Size, Investments, and Availability)



Source: Author's conceptualisation

Regulatory Uncertainty, Risk Aversion, and Executive Sponsorship Feedback Loop

Another feedback loop involved regulatory uncertainty, organisational risk aversion, and executive sponsorship. Respondents noted that ambiguity and fragmentation of regulatory frameworks for Islamic finance in Canada heighten perceptions of risk among institutional decision makers, which discourages executives from championing Islamic finance initiatives. Without executive sponsorship, projects did not receive the necessary resources or prioritisation, which resulted in regulatory ambiguity to persist.

This was highlighted by a respondent who noted, “We have regulators that actually forced the entire firm into status quo because it's a risk management business. So by default, the system, the people, the industries has much less appetite for risk taking” (R05). Another commented:

“I would say selling points or two biggest points of emphasis from regulators in Canada, which is the safety and stability of our financial markets. So innovation can only go so far as we prove that there is no risk to the safety and stability of our financial markets” (R03).

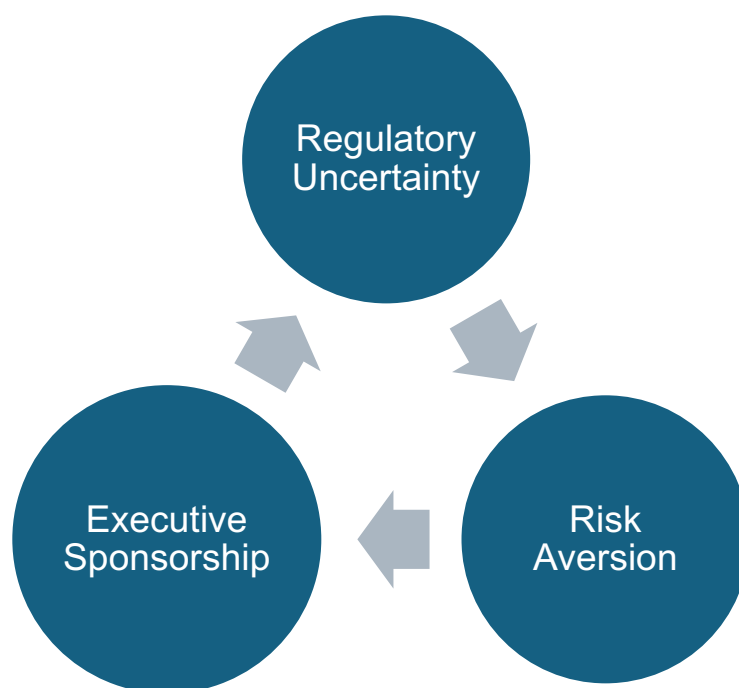
This risk aversion had a ripple effect on executive sponsorship for novel products and services. R18 highlighted the importance of executive sponsorship, “It really comes down to

executive sponsor because if you don't have somebody who is passionate about it for a bank, it will usually die on the vine if it's deemed to be too disruptive or radical" (R18). The respondent further stressed the point by saying:

“And unless you have somebody there willing to sort of back it up and go head to head and tell people we understand [the risk] and we accept and we'll drive on, then it's as much as people have great ideas, more different, they are the more likely they'll get stuck at the approval process” (R18).

Lastly, executive sponsorship was a key factor in advocating for regulatory changes within the industry. A respondent clearly highlighted this when commenting as to why his firm choose to abandon the introduction of a Shariah-compliant product. R07 noted, “The rules of the game, I think, [were not] fairly well set. So I wouldn't potentially see a Canadian bank as [ours] being one that's advocating for change to those rules.” The interplay between regulation, risk, and executive sponsorship is outlined in Figure 4.2.

Figure 4.2: Feedback Loops (Regulation, Risk, and Sponsorship)



Source: Author's conceptualisation

Internal Expertise, External Resources, and Costs Feedback Loops

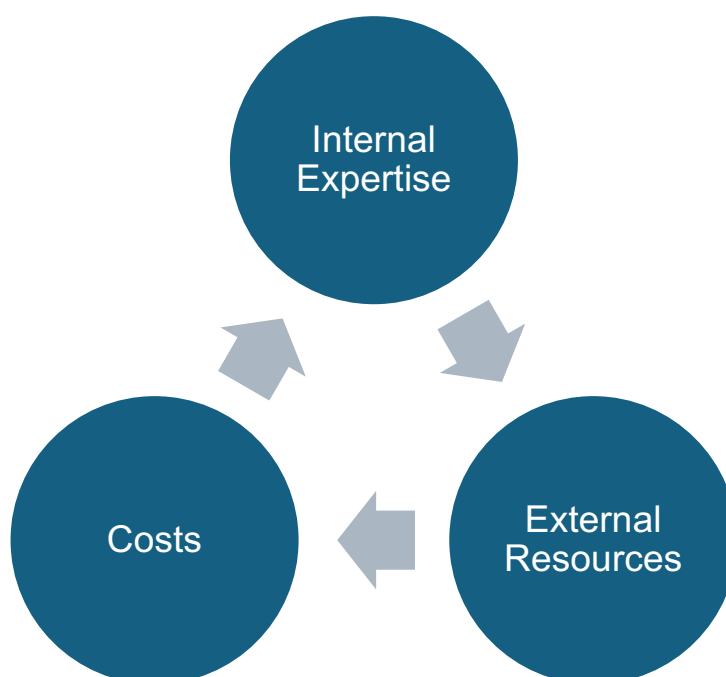
A further cyclical dynamic related to internal expertise, reliance on external resources, and cost barriers. When firms do not have the internal resources required to create Islamic financial products and services, they would need to reach outside the firm for those

capabilities. R04 explained this relationship when she noted, "We didn't really have any internal expertise... We didn't really have any in terms of our legal team, etc, we would have to externalize everything" (R04). This was similarly highlighted by another respondent who noted, "If we didn't have expertise in house, we would go off and hire whoever we viewed as being the expert" (R18).

This externalisation would therefore result in additional costs for organisations. R11 and R09 commented on the added cost factor with reaching out to external experts, stating that "a Shariah product is more expensive to bring to market and administer" (R11) and "the cost of getting Shariah approval is significant, especially for smaller firms" (R09). R16 further highlighted the financial implications, noting, "We just don't think you need to necessarily pay this exorbitant amount...just to get this compliance approval."

The respondent also commented that these additional expenses prohibited the firm from being able to claim or be trusted that it was able to internally provide Shariah-compliant solutions, "So [not] creating that brand of trust to be able to say that we can actually do this fairly well...was definitely a barrier." (R16). This cycle, as outlined in Figure 4.3, created a material impediment that made progress towards providing Islamic financial solutions difficult. Therefore, the existence of one barrier would often impact or exacerbate the other barriers.

Figure 4.3: Feedback Loops (Internal, External, and Costs)



Source: Author's conceptualisation

4.4 Chapter Summary

This chapter has presented a comprehensive list of the barriers to innovation affecting the introduction and growth of Islamic finance in Canadian financial institutions. Drawing on in-depth qualitative interviews with senior leaders, the findings reveal that these barriers are multifaceted, interrelated, and often mutually reinforcing. Six primary categories of barriers were identified: market and demand-side, knowledge and capacity, organisational and cultural, regulatory and structural, systemic and societal, and reputational and authenticity concerns.

Market size and explicit client demand emerged as foundational barriers and most respondents perceiving the potential customer base for Islamic finance as too small or insufficiently vocal to justify significant investment. Capacity constraints included limited internal expertise, minimal R&D investment, and other resource constraints. These barriers further hindered the ability of firms to develop and implement Islamic finance solutions. Organisational inertia, lack of executive sponsorship, and a pervasive culture of risk aversion were found to similarly discourage experimentation and favour incremental change over more radical innovation.

Furthermore, regulatory and structural challenges, such as regulatory uncertainties and fragmentation, product complexity, high compliance costs, and legacy systems, all created additional hurdles and challenges for respondents and their firms. Systemic societal barriers, including racism, Islamophobia, and a lack of political will, as well as community fragmentation were also recognised as persistent obstacles that impeded the development and growth of Islamic finance in Canada. Finally, concerns about reputational risk and authenticity, particularly the fear of being perceived as opportunistic or inauthentic, as well as product failure and execution risk, further constrained institutional willingness to innovate in this space.

Importantly, this chapter highlighted how these barriers rarely operate in isolation. Instead, they interact through feedback loops that perpetuate the status quo. For example, perceptions of limited market size discourage investment in capacity-building, which in turn limits product availability and further dampens demand. Similarly, regulatory uncertainty amplifies organisational risk aversion and stifles executive sponsorship, and this in turn results in a lack of advocacy on the part of organisations, which perpetuates regulatory barriers. Lastly, a lack on internal Islamic finance expertise leads firms to an overreliance on external expertise, which increases the costs of implementing Shariah-compliant offerings. This therefore discourages institutions from developing the necessary capacity internally.

Many of these barriers resemble those found in conventional financial innovation. However, it is important to note that the findings emphasise that Islamic finance faces additional, unique challenges related to religious, cultural, and societal dynamics. Overcoming these obstacles will require not only general strategies, such as fostering a culture of innovation and clarifying regulatory frameworks, but also targeted, context-specific interventions that address the distinctive features of Islamic finance in the Canadian context. These implications are explored further in the following chapter.

5 Discussion

5.1 Introduction

This chapter provides a critical discussion and synthesis of the findings presented in the previous chapter, while situating them within the broader academic literature on financial innovation and Islamic finance. The primary objective of this chapter is to interpret and contextualise the empirical results derived from the semi-structured interviews conducted with senior leaders and executives in the Canadian financial sector, with a particular focus on the barriers to the introduction and growth of Islamic finance within these institutions. By integrating the study's findings with existing literature, this chapter seeks to clarify the challenges facing Islamic finance in Canada and to draw attention to their theoretical and practical implications.

As mentioned, the central research question guiding this study is: *What are the main barriers to innovation that hinder the introduction and growth of Islamic finance solutions in Canadian financial institutions?* Chapter 4 identified six primary categories of barriers, which were market and demand-side, knowledge and capacity, organisational and cultural, regulatory and structural, systemic and societal, and reputational and authenticity barriers. These barriers were found to be highly interconnected, forming self-reinforcing cycles that collectively inhibit the development of Islamic finance in the Canadian context.

The discussion in this chapter is structured as follows. Section 5.2 summarises and synthesises the key findings. It also provides a thematic analysis of each barrier and explores the interrelationships and feedback loops between the identified barriers. In section 5.4, these findings are integrated with the existing literature thereby emphasising points of convergence and divergence with previous studies on financial innovation and Islamic finance, both in Canada and internationally. Section 5.5 presents a comparative analysis of the barriers to Islamic finance and those encountered in the conventional financial innovation context, identifying both shared and unique challenges to Islamic finance. In section 5.6, evidence-based recommendations for overcoming the identified barriers are presented, with an emphasis on the need for holistic and multi-stakeholder approaches. Section 5.7 discusses the theoretical and practical implications of the findings for each of financial institutions, policymakers, and other stakeholders. Limitations of the study are explored in section 5.8, while section 5.9 outlines directions for future research. A summary of the main discussion points and a reiteration of the significance of the study's contributions are found in section 5.9.

5.2 Synthesis and Interpretation of Key Findings

This section provides a detailed synthesis and interpretation of the primary barriers to the introduction and growth of Islamic finance in Canadian financial institutions, as identified through the thematic analysis of interviews with senior executives and industry leaders. As was reported earlier, the findings reveal a complex and interdependent set of obstacles, which collectively impede the development of Shariah-compliant financial products and services. Each barrier category is discussed below.

5.2.1 Market and Demand-Side Barriers

A dominant theme emerging from the data is the perception of a limited market for Islamic finance in Canada. Many participants described the potential customer base as too small to justify significant investment, with several referencing estimates that suggested the total addressable market was insufficient to attract major financial institutions. This is compounded by a perception of a lack of explicit and verbalised client demand. Interviewees consistently reported that few customers actively requested Islamic financial products, leading to the de-prioritisation of such initiatives within organisational strategy.

This dynamic creates a self-reinforcing loop, and the perception of limited demand leads to underinvestment in product development which in turn results in a lack of visible supply which further dampens consumer access. Consequently, Islamic finance remains marginalised within institutional priorities, and the sector struggles to achieve the critical mass necessary for sustainable growth. The findings suggest that breaking this cycle will require proactive demand signalling by clients and intentional investments by financial institutions. Without such catalysts, the market for Islamic finance in Canada is likely to remain underdeveloped, regardless of underlying demographic trends or potential consumer interest.

5.2.2 Knowledge, Skills, and Capacity Barriers

The findings also indicate a widespread lack of internal expertise or education within Canadian financial institutions with respect to Islamic finance. Most organisations need to rely heavily on external advisors for Shariah compliance and product development, which increases costs and slows innovation. Limited investment in R&D specific to Islamic finance was also identified, with participants noting that such initiatives are rarely prioritised in business strategy. Resource constraints, both human and financial, further limit the capacity of institutions to explore and implement new Islamic finance offerings. These capacity

barriers not only hinder innovation but also reinforce the perception that Islamic finance is not a strategic opportunity but rather a marginal concern.

The interplay between these knowledge and capacity barriers also creates a self-reinforcing cycle where the lack of internal expertise leads to greater reliance on costly external consultants, which in turn discourages further investment in building in-house capabilities. This dynamic not only slows the pace of innovation but also perpetuates the marginalisation of Islamic finance within institutional priorities. Moreover, the absence of dedicated R&D resources means that institutions are less able to experiment and adapt to the unique requirements of Shariah-compliant products. This further entrenches their dependence on external resources.

These findings suggest that capacity barriers are not merely technical or operational challenges but are embedded in and impacted by organisational strategy and culture. When Islamic finance is viewed as a niche or non-core activity, it is less likely to attract the internal champions or resource allocation necessary for meaningful development. This in turn, limits the institution's ability to respond to emerging market opportunities and may ultimately result in missed opportunities for market capture and growth.

Without sustained investment in internal knowledge and skills, Canadian financial institutions may struggle to develop authentic, competitive, and scalable Islamic finance solutions, highlighting the need for a strategic shift. Unless institutions recognise Islamic finance as a genuine area for innovation or invest in building internal capacity, they are unlikely to overcome the inertia that currently characterises the sector.

5.2.3 Organisational and Cultural Barriers

Organisational inertia and resistance to change also emerged as significant impediments to the adoption of Islamic finance. Many respondents described deeply entrenched practices within their firms as well as a preference for established routines. This was particularly evident within large incumbent institutions. As one respondent put it, "This is the way we've been doing it for a hundred years... We are not allowed to make any changes to it" (R01), highlighting the rigidity of these ingrained practices. This inertia is not simply a passive tendency but is actively reinforced by institutional structures that favour smaller improvements over innovative launches. For instance, one respondent reported that "anytime [we] want to innovate within a big bank, there are lots of different approvals that are required and things...move more slowly" (R02). This demonstrates how approval processes slow down potential innovations. Moreover, another respondent mentioned, "in a very large organisation, typically innovations become a bit of a challenge...the culture can be a

barrier...in terms of...[the] promotion of innovation and challenging status quo” (R06). This highlights how cultural factors also play a significant role in inhibiting transformational change. As a result, even when there is awareness of unmet demand or external pressure to innovate, organisations tend to default to established processes, making it difficult for novel ideas to gain momentum and come to fruition.

The absence of executive sponsorship or internal champions was repeatedly cited as a critical barrier, and without passionate advocates in leadership positions, innovative ideas such as Islamic finance often fail to gain traction. This lack of sponsorship is particularly evident in hierarchically deep organisations, where decision-making authority is concentrated at the top. The findings suggest that executive sponsorship acts as a catalyst for mobilising resources and legitimising new initiatives, thereby overcoming inertia.

A persistent culture of risk aversion, especially in the context of regulatory uncertainty further inhibits the pursuit of new or niche products. Respondents noted that this risk aversion is heightened by the perceived reputational and operational risks associated with Shariah-compliant solutions. These products and services are often viewed as more complex and less predictable than conventional counterparts. This dynamic therefore creates a feedback loop where regulatory ambiguity amplifies risk aversion, which in turn discourages executive sponsorship and reinforces organisational inertia.

These organisational and cultural dynamics are not unique to Islamic finance but are amplified by the additional complexities and perceived risks associated with Shariah compliance. In effect, the introduction of Islamic finance exposes and intensifies existing weaknesses in organisational adaptability and leadership commitment. The interplay between these factors further reinforces the prospect that barriers are not merely additive but compounding and mutually reinforcing. This therefore creates a challenging environment for innovation. Between the tendency to limit changes to those that are small and incremental, the lack of momentum without an internal champion, as well as the entrenched tendency to avoid risk, the barriers materially stifle innovation. Decisions that do not need to be made are not made, and opportunities that are not moulded to fit internal structures are not capitalised on. All this simply for sake of maintaining the status quo. The findings hence indicate that addressing organisational and cultural barriers will require more than minimal adjustments.

5.2.4 Regulatory, Compliance, and Structural Barriers

Regulatory uncertainty and fragmentation were also identified as material barriers to Islamic finance in Canada. The lack of a unified, national regulatory framework, combined with the

complexity of navigating multiple provincial regulators creates significant ambiguity for institutions seeking to develop halal offerings. This regulatory fragmentation not only increases compliance burdens but also leads to inconsistent interpretations and applications of rules across jurisdictions, making it difficult for financial institutions to scale Islamic finance offerings nationally. Respondents highlighted that this ambiguity often results in prolonged approval processes or even hesitancy among decision-makers, who may fear inadvertently breaching unclear rules and guidelines.

Product complexity and high costs of obtaining Shariah certifications, as well as the absence of standardisation among Shariah boards further complicate product development and increase operational costs. Institutions must often engage external Shariah scholars or boards with potentially differing interpretations of compliance standards, and this leads to uncertainty and potential duplication of efforts. The resulting uncertainty can therefore discourage investment in new product development and limit the willingness of institutions to innovate in this space.

Legacy systems and inadequate technological infrastructure also pose extensive challenges, as existing legacy systems are often older or ill-equipped to accommodate the unique requirements of Islamic finance. Many respondents described how core banking and operational systems are designed around conventional products, making the integration of Shariah-compliant specifics technically complex and costly. The need for significant system upgrades or workarounds can increase costs and delay or even abandon product launches particularly for smaller institutions with limited technology budgets.

Thus, the findings suggest that overcoming regulatory, compliance, and systems barriers will require several key enablers from regulators and Shariah boards if the introduction and growth of Islamic financial products and services are to be realised in Canada. Harmonising regulatory frameworks, promoting standardisation in Shariah compliance, and investing in adaptable technological infrastructure are all essential strategies to reduce uncertainties, lower costs, and facilitate the scalable development and delivery of innovative Islamic financial products. Collectively, these measures would not only address current impediments but also create a more supportive environment for conventional financial innovation in general.

It is important to acknowledge that the regulatory and structural barriers to Islamic finance accessibility identified in this study may reflect deeper power asymmetries within conventional financial systems. Regulatory frameworks in Canada are constructed around interest-based, debt-driven models, thereby privileging conventional incumbents who benefit

from entrenched path dependencies. Within this context, minority and faith-based communities often lack agenda-setting power in regulatory processes, constraining their capacity to influence financial norms and standards that would accommodate non-interest-based modes of finance.

The constraints facing Islamic finance should therefore not be read simply as indicators of its inefficiency, but potentially as manifestations of its challenge to dominant political-economic interests and the centrality of interest-bearing instruments. From this perspective, regulatory inertia appears less a matter of technical ambiguity or capacity limitations and more a form of structural exclusion. Such structural privileging reinforces financial exclusion for communities seeking Shariah-compliant solutions, not because these products and services are inherently riskier or less efficient, but because the existing regulatory frameworks were never designed to recognise or support their distinct offerings.

Understanding regulatory inertia in this way has important implications for policy and practice. It suggests that addressing barriers to Islamic finance requires more than incremental, technical adjustments within existing frameworks. Rather, it calls for a deeper re-examination of how regulatory objectives and supervisory practices might be reconfigured to support a genuinely plural financial ecosystem in which diverse modes of finance are equally recognised and supported.

5.2.5 Systemic and Societal Barriers

As has been emphasised in Chapter 4, systemic racism, Islamophobia, and personal biases were themes in the interviews, with several participants highlighting the negative impact of societal attitudes on both institutional decision making and market development. This entrenched prejudice not only impedes the objective evaluation of the business case for Islamic finance but also reinforces organisational inertia and risk aversion. Such attitudes can manifest in subtle ways, influencing leadership perceptions and discouraging proactive engagement with Islamic finance initiatives.

A lack of will, both within governments and financial institutions, was also uncovered. This absence of commitment further limits the sector's capacity to address systemic barriers and champion these inclusive financial innovations. Additionally, the fragmentation within the Muslim community itself was further identified as a contributing factor for the lack of availability of Shariah-compliant solutions in Canada. Without a unified community voice, product development and demand signalling become more difficult, given that institutions may struggle to interpret the diverse and sometimes conflicting expectations of potential customers. This lack of cohesion not only complicates stakeholder engagement but also

undermines efforts to build trust and credibility. In so doing, it makes it difficult for institutions to accurately assess or respond to market needs. Collectively, these societal and systemic barriers create a challenging environment that perpetuates the status quo and inhibits the advancement of Islamic finance in Canada.

5.2.6 Reputational and Authenticity Barriers

Lastly, concerns about reputational risk and authenticity were similarly cited as barriers to the introduction of Islamic finance. Respondents expressed not only an apprehension regarding their institutions being perceived as opportunistic or insincere in their engagement with Islamic finance, but also a heightened sensitivity to the potential for public scrutiny and criticism. This was particularly pronounced when offerings could be viewed simply as disingenuous and unauthentic adaptations of conventional products. Concern was likewise expressed about the possibility that Islamic offerings would be seen as primarily profit-driven initiatives, rather than as genuine efforts to meet the needs and values of Muslim clients. The risk of backlash, should the institution's motives or product compliance be called into question, was seen as a significant deterrent.

While respondents noted that Muslim stakeholders may question the authenticity of Shariah-compliant products, non-Muslim stakeholders may equally interpret the introduction of Islamic finance as a political or cultural statement, potentially alienating this client segment. Additionally, the potential for reputational damage from poorly executed or non-compliant products was noted, with respondents emphasising the importance of robust risk management and stakeholder engagement. This dual reputational risk resulted in a cautious environment in which institutions prefer to avoid innovation altogether rather than risk negative publicity or loss of trust.

5.2.7 Interconnectedness of Barriers

As outlined previously, the barriers to the development and proliferation of Islamic finance within Canadian financial institutions are not discrete or isolated phenomena, rather, they are linked, forming a multifaceted and reinforcing set of barriers. This interconnectedness means that the presence or intensity of one barrier often amplifies or perpetuates others, resulting in a compounded effect that is more challenging than the sum of its parts. The findings from this study demonstrate that market, capacity, organisational, regulatory, societal, and reputational barriers are intertwined, with each influencing and being influenced by the others. While the dynamic of interconnectedness of barriers to innovation is one that is touched upon in the innovation literature (Sandberg and Aarikka-Stenroos, 2014; Kerse, Newbury and Staschen, 2024; Catherine Beaudry, 2025), this research highlights how this

interconnectedness is compounded in the context of Islamic finance. It also showcases how barriers that are not typically present in the context of conventional finance, such as societal bias and reputational barriers have a material impact when Islamic finance is being considered.

As mentioned previously, R01 stated that personal biases are a great barrier to moving the concept forward:

"The greatest barrier is systemic racism. It stops people from even looking at the business sense that this product makes. Personal biases, it really becomes a great barrier to moving the concept forward for people to understanding the concept because they get stuck on the narratives that are in the media. They get stuck on their personal opinions of the faith and that stops them from actually looking at the risks and looking at the actual, the important things."

This response highlights how prejudicial attitudes and stereotypes can become internalised within institutional cultures. Such internalisation leads to a reluctance to objectively evaluate the commercial viability of Islamic finance, thereby entrenching organisational inertia and resistance to change.

Moreover, regulatory uncertainty further compounds this inertia by fostering an environment of heightened risk aversion. When regulatory frameworks are ambiguous or fragmented, as is the case in Canada's financial landscape, institutions become even more hesitant to pursue innovative products. Compounding the aversion further are the obstacles to compliance, such as the lack of unified standards and higher costs of certification. This hesitancy is not merely a function of compliance concerns but is also shaped by the broader organisational culture of risk avoidance. Thus, regulatory ambiguity does not simply exist alongside organisational and cultural barriers but actively amplifies them, making institutions less willing to allocate resources or executive sponsorship as far as Islamic finance initiatives are concerned. This is corroborated by Das *et al.* (2018) who found that regulatory and organisational barriers often interact to create a less optimal environment for innovation in large financial firms and non-Islamic financial settings.

The interconnectedness of these barriers is also evident in the way market perceptions and demand-side considerations interact with internal organisational dynamics. For instance, the widespread perception that the market for Islamic finance in Canada is too small to warrant significant investment is both a cause and a consequence of limited product offerings. This perception discourages institutions from investing in R&D or from building internal expertise,

which in turn perpetuates the lack of available Shariah compliant products and reinforces the notion of limited demand.

Furthermore, the lack of internal expertise and the high cost of Shariah compliance certification serve as both direct barriers and as amplifiers of other challenges. These capacity and resource constraints are exacerbated by the organisational and regulatory barriers mentioned above, further impeding the development of Islamic finance and discouraging innovation.

5.2.8 Feedback Loops Between Barriers

The findings of this study, as highlighted in Chapter 4, and specifically in section 4.3.2 Feedback Loops and Cycles, underscore that barriers to Islamic finance in Canada are underpinned by self-reinforcing feedback loops. These cycles serve to prolong the existing situation, making the financial system resistant to change within the context of Islamic finance. This phenomenon is consistent with the broader innovation literature, which highlights how mutually reinforcing barriers can create “vicious cycles” that are difficult to disrupt (Cinar, Trott and Simms, 2021, p. 7).

A central implication of these feedback loops is that efforts to address a single barrier in isolation are unlikely to yield positive results. For example, the persistent perception of a small market for Islamic finance discourages institutional investment in research, product development, and marketing. This lack of investment leads to a limited availability of Shariah-compliant products, which in turn reinforces the perception of insufficient demand. As noted by Hill and Rothaermel (2003), market entry in nascent sectors often requires investment by incumbent firms, rather than a passive response to perceived demand. The Islamic finance context in Canada therefore demonstrates how the absence of such investment can entrench these feedback loops.

Similarly, regulatory uncertainty does not merely exist in isolation. It impacts organisational risk aversion and undermines executive sponsorship for innovation. When regulatory frameworks are either ambiguous or fragmented, institutional leaders become less willing to champion unconventional initiatives, particularly those perceived as riskier or outside the mainstream. This lack of executive sponsorship in turn means that projects fail to receive the resources or prioritisation necessary to overcome institutional inertia. Over time, this dynamic further entrenches a risk avoidance culture, making future innovation even less likely. This aligns with Sydow, Schreyögg and Koch (2009, p. 691) observation that organisational routines and perceptions can become self-reinforcing, especially in highly regulated environments.

A further feedback loop is evident in the relationship between internal expertise and reliance on external advisors. The lack of in-house knowledge about Islamic finance compels institutions to depend on external consultants and Shariah boards, raising the cost and of product development. This therefore discourages further investment in internal capacity-building, perpetuating the original skills gap. As the literature on innovation and absorptive capacity theory suggests (Cohen and Levinthal, 1990), organisations that fail to invest in knowledge are less able to innovate or adapt to new knowledge or opportunities (Hölzl and Janger, 2014; Jaureguy, Bianchi and Blanchard, 2023).

The broader significance of these findings is that the Canadian Islamic finance sector is caught in a web of mutually reinforcing constraints. The persistence of these feedback loops not only impedes the growth of Islamic finance but also limits the ability of financial institutions to respond to evolving market needs and demographic shifts. This has implications for financial inclusion and the competitiveness of the Canadian financial sector in a global context, which will be discussed later in this chapter.

To break these cycles, a multilayered and coordinated approach is required. For example, regulatory clarity is paramount, and policymakers could work with industry stakeholders to develop clear and consistent frameworks for enabling Islamic finance. At the institutional level, executive leadership may be mobilised to champion innovation, even in the face of uncertainty. This may require reframing risk not only as a threat, but also as an opportunity for market differentiation and growth in segments not currently being served. Also, targeted investment in internal capacity-building can reduce reliance on external advisors and lower the cost of innovation.

Future research and industry initiatives could focus on identifying intervention points within these feedback loops, where targeted interventions can have positive and potentially cascading effects. For example, public-private partnerships that signal institutional commitment may help to shift perceptions of market size and demand. Furthermore, regulatory sandboxes, as per the case of the province of Alberta, could reduce uncertainty and encourage executive sponsorship (Langton, 2023). Ultimately, disrupting these self-reinforcing cycles is important for unlocking the potential of Islamic finance in Canada and for fostering a more innovative and inclusive financial sector.

5.2.9 Implications of Interconnected Barriers

As indicated earlier, the interlocked nature of barriers to Islamic finance in Canada has material implications for financial institutions, policymakers, and other stakeholders. The interconnected and self-reinforcing nature of the barriers identified in this study is consistent

with the findings of Sandberg and Aarikka-Stenroos (2014), who argue that barriers to radical innovation are rarely discrete and often interact in complex ways. The self-reinforcing nature of barriers as well as the feedback loops are highlighted in the broad innovation literature (Hill and Rothaermel, 2003; Sydow, Schreyögg and Koch, 2009; Cinar, Trott and Simms, 2021; Jaureguy, Bianchi and Blanchard, 2023). However, the present study extends this analysis by in two ways. First by demonstrating how this dynamic pertains to the Canadian financial sector context. Secondly, it demonstrates how the interconnectedness is further complicated by factors such as societal and reputational factors, which are specific to Islamic finance.

Additionally, the findings from this study suggest that the interdependencies between market, capacity, organisational, structural, societal, and reputational barriers create a compounded effect, making it difficult to address any single barrier without simultaneously tackling others. This section explores the implications of these interconnected barriers for institutional decision making and the broader development of Islamic finance in Canada.

Institutional Paralysis and Inaction

One of the most significant implications of interrelated barriers is the phenomenon of institutional paralysis, where the complexity and interdependence of barriers discourage action altogether. Financial institutions, particularly large incumbents, may perceive the barriers to Islamic finance as insurmountable due to their interconnected nature, causing them to intentionally become unresponsive to market demand. This paralysis is further exacerbated by the cyclical relationship between risk aversion and regulatory uncertainty as highlighted earlier. Institutions may be reluctant to invest in Islamic finance initiatives without clear regulatory guidance, yet the lack of institutional engagement prevents the development of regulatory frameworks tailored to Islamic finance. This creates a "chicken-and-egg" scenario, where neither institutions nor regulators take the necessary first steps to address the supply gap, thereby perpetuating the present state.

Resource Misallocation and Opportunity Costs

Another implication of the interconnectedness of barriers is that they result in situations where insufficient resources are allocated within financial institutions to innovative ideas that are beneficial to those firms. The perception of Islamic finance as a niche market with limited profitability may discourage investment in R&D and internal capacity-building (Jaureguy, Bianchi and Blanchard, 2023). This misallocation of resources results in missed opportunities to tap into a growing and underserved market segments. This perception of

limited market potential is both a cause and a consequence of the lack of investment, creating a self-reinforcing cycle that stifles innovation.

The opportunity costs of this inaction are significant, particularly given the growing Muslim population in Canada and the increasing global demand for ethical and Shariah-compliant financial products. As highlighted earlier the Muslim population in Canada is projected to grow substantially over the coming decades (Maclsaac, Morency and Malenfant, 2017). This expanding demographic could be a sufficient signal of an increasingly significant market opportunity for the supply side.

Entrenchment of Organisational Inertia

The interrelated obstacles also contribute to the entrenchment of organisational inertia, making it increasingly difficult for institutions to innovate and adapt to changing market dynamics. The findings suggest that systemic racism and personal biases, as highlighted earlier, may play a critical role in reinforcing this inertia. These societal attitudes become embedded within organisational cultures, leading to a reluctance to challenge how firms develop new products or explore non-mainstream markets. This inertia is further compounded by the lack of executive sponsorship within these firms that would champion novel solutions. The entrenchment of organisational inertia has long term implications for the competitiveness and adaptability of Canadian financial institutions. As the global financial landscape evolves, institutions that fail to innovate risk being left behind, both domestically and internationally (Christensen, 1997).

Co-creation and Stakeholder Engagement

The necessity for well-rounded and multi-faceted solutions that address multiple challenges simultaneously is cannot be overstated. Isolated interventions, such as regulatory reform alone or community engagement only are unlikely to yield meaningful progress unless they are part of a broader strategy that considers the interdependencies between barriers. The findings suggest that effective solutions must involve collaboration between multiple stakeholders, including financial institutions, regulators, Shariah boards, and community organisations. As R13 noted: "And so I think the enablers for doing that is just having the foundation, having the solid discovery and then having community support in the design". This collaborative approach is supported by the literature on inclusive innovation, which highlights the importance of stakeholder engagement and co-creation in overcoming systemic barriers (Kazadi, Lievens and Mahr, 2016).

Implications for Policymakers and Regulators

There are significant implications for policymakers and regulators as well. It is important to note that stakeholders such as governments, regulators, and financial institutions, often pursue distinct objectives that are not perfectly aligned. Governments generally emphasise inclusive growth, social equity, and access (Canada, 2017, 2024). Regulators on the other hand prioritise stability and consumer protection (Savage, 2014; Bourque and Caracciolo, 2024), whereas financial institutions focus on profitability and shareholder value (Bainbridge, 1993). These divergent aims can generate frictions that inhibit product innovation and market entry, particularly in nascent segments such as Islamic finance.

Therefore, and in line with the findings of this research, there is a need for a coordinated and proactive approach to addressing regulatory uncertainty and fragmentation within the Canadian financial landscape. Without clear and consistent regulatory frameworks, financial institutions are less likely to invest in Islamic finance, perpetuating the cycle of inaction. Policymakers therefore will need to recognise that regulatory reform alone will not be sufficient to overcome the obstacles to Islamic finance. In practical terms, coordination should extend to clear roles and communication channels among relevant authorities, thereby reducing ambiguity. Establishing predictable supervisory expectations and transparent processes can lower perceived compliance risk, which in turn can encourage entry by financial institutions into the Islamic finance space.

Additionally, governmental and regulatory policymakers may consider incentives or support mechanisms to encourage financial institutions to develop and offer Islamic finance products, recognising firms' goals to protect shareholder value. In so doing, policymakers play a key role in fostering innovation and competition in the market. Well-designed incentives, that are linked to demonstrable inclusion outcomes perhaps, can help align public objectives with private commercial aims while maintaining prudent regulatory standards.

Broader Implications for Financial Inclusion

Finally, the interconnected barriers to Islamic finance have broader implications for financial inclusion in Canada. The lack of Shariah-compliant products limits access to financial services for Muslim communities, many of whom may avoid conventional financial products due to religious considerations (Brekke and Larsen, 2020; Kaya, 2023; Wijaya *et al.*, 2024). This exclusion not only affects individual consumers but also undermines the broader goals of financial inclusion and equity. Addressing the interconnected barriers to Islamic finance is hence not just a matter of market development but also a question of inclusion and economic empowerment.

Overall, the interconnected nature of barriers to Islamic finance in Canada has far-reaching implications for institutions, policymakers, and society at large. These barriers create a compounded effect that discourages action, misallocates resources, entrenches organisational inertia, and perpetuates financial exclusion. Addressing these challenges requires a holistic and collaborative approach that recognises and strategically targets the interdependencies between market, capacity, organisational, regulatory, societal, and reputational barriers.

5.2.10 Critical Reflection and Contextualisation

In critically reflecting on these findings, several points emerge. First, the results highlight that barriers to Islamic finance in Canada are deeply embedded within organisational, regulatory, and societal structures, echoing the 'identity drift' and authenticity challenges discussed by Hidayah *et al.* (2019; 2021). Such drift is manifested when institution practices change from the "ideal equity-based transactions/products, which promote partnership and entrepreneurial activities, into debt-based transactions/products that are more acceptable to contemporary Western banking and financial markets" (Hidayah, Lowe and De Loo, 2021, p. 477).

The predominance of risk aversion and reputational concerns, for example, is similar to findings in other Muslim-minority contexts such as the UK and US but is compounded in Canada by regulatory fragmentation and limited political will. In contrast, Muslim-majority countries such as Malaysia and the GCC have benefited from more Shariah focused regulatory frameworks and stronger institutional support, enabling greater product innovation and market penetration.

The findings also suggest that the limited engagement of Muslim civil society, including imams, religious leaders, and mosques, contributes to fragmented demand signalling, while demand from non-Muslim ethical users has not yet translated into substantial institutional change. The current legal and regulatory regime, characterised by overlapping federal and provincial oversight, further constrains innovation, though future regulatory clarification and harmonisation could enhance product patronage and inclusion.

Overall, the Canadian experience underscores the importance of both regulatory reform and community engagement in fostering meaningful innovation in Islamic finance. These insights are consistent with recent empirical and theoretical studies on the evolving and challenged nature of Islamic finance identity and practice.

Lastly, it is worth noting that while this study has focused primarily on how incumbent institutions might overcome internal and external barriers to introduce Islamic finance, it also recognises that meaningful progress may require greater institutional pluralism rather than reliance on incumbents alone. In particular, specialist Islamic financial institutions operating in other jurisdictions could, in principle, form part of a parallel ecosystem that circumvents some of the structural and political constraints identified in this thesis. However, the limited presence of such actors in Canada suggests that incoming Islamic institutions face their own entry barriers, including the need to build trust and distribution networks from scratch. These observations point to an important agenda for future research: to examine more explicitly what prevents external Islamic finance providers from entering and scaling in the Canadian market, and how policy and regulatory reforms might enable a more plural institutional landscape alongside incumbent-led innovations.

5.3 Moral-Economic Dimensions and the Risk of Domestication

The analysis above has predominantly examined the introduction and development of Islamic finance in Canada through conventional supply-side lenses, such as profitability, reputational risk, and regulatory compliance. This was intentional, as it reflects the priorities of incumbent financial institutions. It is therefore important to acknowledge that such examination aligns with the broader neoliberal financial rationality within the Canadian financial system, wherein financial innovation is largely evaluated according to its contribution to efficiency, risk management, and shareholder value rather than its capacity to contribute to socio-economic justice and inclusion (Asutay, 2025).

From the perspective of an Islamic moral economy, such an orientation is not value neutral. Islamic finance is grounded in the higher objectives of Shariah (*maqasid*), which encompass justice, equitable circulation of wealth, socio-economic welfare, and the protection and enhancement of human dignity. By framing Islamic finance primarily in terms of its commercial viability and regulatory fit, there is a risk that these moral-economic aims are downgraded to secondary considerations. This hence reinforces, rather than challenges the prevailing logic of financialisation, where institutions increasingly prioritise profit accumulation over genuine economic production (Asutay and Yilmaz, 2025)

The supply-side barriers identified in this study can therefore be seen as manifestations of an institutional logic that prioritises conventional financial metrics over the substantive realisation of *maqasid*-oriented outcomes. In this sense, they are value-laden, reflecting the dominance of market-centric criteria in determining which forms of financial innovation are perceived as legitimate and scalable. This resonates with critiques that Islamic finance,

when embedded within existing financial systems, risks reducing “Islamic finance to a system that merely replicates conventional banking models, thus undermining its ethical foundations” (Sokris and Arif, 2024, p. 91).

Therefore, this suggests that integrating Islamic finance into incumbent financial institutions in Canada may carry an inherent danger of domesticating it and could constrain its moral transformative potential thereby reducing it to a niche product set that mirrors conventional solutions, having Shariah-compliant form but limited socio-economic substance. While a full assessment of this tension lies beyond the primary scope of this research, acknowledging the moral-economic dimensions of the identified barriers is essential for understanding how Islamic finance is located within the wider Canadian financial system. It also underscores the need for future research that explicitly interrogates how Islamic finance in Canada might be structured and governed in ways that more effectively operationalise justice, inclusion, and welfare-oriented objectives of Shariah.

5.4 Integration with Existing Literature

This section situates the empirical findings of this study within the broader academic literature on barriers to financial innovation and the specific challenges of Islamic finance in non-Muslim-majority contexts. By comparing and contrasting the results of this research with the literature, the following section explores the ways in which the Canadian experience both reflects and diverges from existing trends and highlights the unique contributions of this study to the field.

Market and Demand-Side Barriers

Despite evidence of demand potential for Islamic financial products and services in the Canadian marketplace (Thomson Reuters, 2016; Sawwaf, 2023), and research demonstrating the capacity of Islamic banking to appeal to non-Muslim customers (Zauro, Saad and Sawandi, 2020; Tanveer Ahmed, Sarkar Kabir, and Aqsa Aziz, 2021), the perception of a limited market and insufficient demand for Islamic finance in Canada persists. This perception aligns with findings from other Western jurisdictions, where Islamic finance is often viewed as a niche segment (Riaz, Burton and Monk, 2017; Zinser, 2019). Frame and White (2004) emphasise that a substantial market size is a prerequisite for financial innovation, as firms are unlikely to invest in new products without the prospect of sufficient returns. Without enough potential users however, even the most novel financial product is unlikely to succeed.

This study's identification of a self-reinforcing cycle, where the perception of low demand leads to limited product offerings, which in turn suppresses demand, echoes the "chicken-and-egg" dynamic in the context of market-driven innovation (Jaworski, Kohli and Sahay, 2000). Similar feedback loops have been observed in the UK and Europe, where proactive market development and signalling by incumbent firms have been necessary to break cycles of inertia as they pertain to conventional financial innovation (Masiukiewicz, 2017). The global Islamic finance market's multi-trillion-dollar valuation ought to act as a powerful incentive for financial institutions to cater to this segment (LSEG and ICD, 2024).

Beyond market scale however, the successful introduction of Islamic financial products depends on the ability of institutions to accurately read and respond to the specific needs and preferences of their target audience (Rahim and Buang, 2021; Alam and Bhatti, 2024; Faizi, 2024). Even with a large market and a product designed to meet clear demand, adoption may fail. This would happen if potential customers are unaware of the existence of these Islamic financial solutions or do not properly understand its principles and benefits (Islam and Rahman, 2017; Ernawati, Rosnawintang and Nusantara, 2022).

Knowledge, Skills, and Capacity Barriers

As shown in Chapter 4, financial institutions face significant capacity and resource constraints when attempting to implement innovative solutions. These constraints span multiple dimensions, from human capital limitations to knowledge and information constraints, thereby creating substantial barriers to successful innovation implementation. The shortage of qualified personnel for example represents a critical constraint in financial innovation, with specific challenges around "lack of knowledge on financial innovation" and "lack of qualified employees" (Błach, 2020, p. 8). Research also suggests that "intellectual capital created by strong R&D workforces enables firms to develop innovative products/services, [even if] they may lack financial resources" (Lee and Jung, 2024, p. 2). This shortage of skilled and qualified professionals hampers the ability of financial institutions to develop and implement innovative solutions.

Asimakopoulos, Revilla, and Slavova (2020) argue that external knowledge sourcing can compensate for internal deficits, but this often comes at increased cost and complexity. This was an issue corroborated by the present study's participants. The reliance on external advisors for Shariah compliance and product development is also consistent with findings from other non-Muslim-majority contexts, where internal capacity for Islamic finance is typically underdeveloped (Benaziez and Hassan, 2022). This therefore perpetuates a firm disadvantage if it remains unaddressed.

Organisational and Cultural Barriers

Organisational inertia, resistance to change, and risk aversion are well-documented barriers to innovation in financial services (Latham and Braun, 2009; Das *et al.*, 2018; Li *et al.*, 2023). The present study confirms that these barriers are particularly acute in the context of Islamic finance, where the unfamiliarity of halal financial products and services amplifies institutional conservatism. The absence of executive sponsorship and internal champions, as highlighted earlier, is consistent with the findings in the literature that finds that leadership support is critical for overcoming inertia and fostering innovation (Drechsler *et al.*, 2021; AlKayid *et al.*, 2023). The compounded effect of risk aversion and regulatory uncertainty is also reflected in the work of Mohsni and Otchere (2018), who document the conservative risk culture of Canadian banks.

Regulatory and Structural Barriers

The regulatory complexity and fragmentation identified earlier are consistent with the challenges described by Clements (2018) and Lehmann (2017), in the context of Canadian and global financial regulation respectively. The absence of a unified regulatory framework for Islamic finance, and the resulting ambiguity for market participants, has been similarly noted in the UK and Europe (Wilson, 2007; D'Alvia, 2020). The high cost and lack of standardisation in Shariah compliance processes are also well-documented obstacles (Mohd Yunus *et al.*, 2024; Sudarwanto, Kharisma and Cahyaningsih, 2024). These barriers are particularly pronounced in non-Muslim-majority jurisdictions, where regulatory authorities may lack familiarity with the specific requirements of Islamic finance (Benaziez and Hassan, 2022).

Systemic and Societal Barriers

A distinctive contribution of this study is its detailed documentation of systemic racism, Islamophobia, and personal bias as barriers to Islamic finance. While the broader literature on financial innovation increasingly acknowledges the role of societal attitudes and discrimination (Shelby, 2023; Scott *et al.*, 2024), no studies to our knowledge have examined their specific impact on Islamic finance in Canada.

Research has previously highlighted how negative societal perceptions as well as discriminatory practices can impede the growth of Islamic finance, particularly in non-Muslim-majority contexts. For example, Wilson (2007) notes that in Europe, the lack of public understanding of Islamic finance principles has contributed to both consumer scepticism and institutional reluctance to develop Shariah-compliant products. Further research has found that in Australia, misconceptions about Islam and Islamic finance have

led to reputational risk concerns among mainstream financial institutions, thereby limiting their willingness to innovate in this space (Mickhail, 2015; Sain, Rahman and Khanam, 2016).

Furthermore, Ahmed and Matthes (2017) highlight that the bulk of academic research conducted mostly in the US, UK, and Australia, shows that negative stereotyping and misrepresentation shape public opinion and fuel Islamophobia. They further show that this leads to reputational risks for groups associated with Islam. Others show that Islamophobia negatively impacts Muslim businesses and economic participation, further influencing the broader Islamic finance sector (Rashid, Iqbal and Tanvir, 2023). These links are consistent with the concept of “institutional isomorphism” (DiMaggio and Powell, 2010), whereby organisations conform to prevailing societal norms and expectations, thereby becoming more homogeneous, even when doing so may limit innovation or market responsiveness. Riaz, Burton, and Fearfull (2023) further highlight that negative perceptions of Islam in the UK can influence both consumer demand and institutional willingness to engage with Islamic finance.

It is important to note that, despite the growing body of literature that addresses this topic in other jurisdictions, empirical evidence from the Canadian context has been non-existent. This study’s findings thus extend the literature by providing concrete examples of how societal biases are internalised within organisational cultures, reinforcing inertia and impeding objective evaluations of Islamic finance. The data reveal that prejudices such as systemic racism and Islamophobia do not merely exist at the societal level but are often reflected in the attitudes and decision-making processes of institutional leaders. This can manifest as reluctance to champion innovative products or a heightened risk aversion towards Islamic finance. Over time, these factors may perpetuate a cycle in which exclusionary practices become normalised. Addressing these challenges will require a multifaceted approach, including targeted education and a proactive leadership committed to diversity and inclusion, thereby serving all customers regardless of background. Later sections of this chapter elaborate on this further.

Reputational and Authenticity Barriers

Concerns about reputational risk and authenticity are increasingly recognised, in the broader innovation literature, as significant barriers to innovation in financial services (Yang, 2021; Adeabah *et al.*, 2023). In the context of Islamic finance, these concerns are heightened by the potential for backlash from both Muslim and non-Muslim communities, as well as the risk

of being perceived as opportunistic or insincere, as was investigated by Azrak and Saiti (2016) in the Malaysian context, and Falikhatun and Mutiarafah (2021) in that of Indonesia.

The risk of reputational damage is twofold. On one hand, institutions fear alienating non-Muslim stakeholders who may view Islamic finance as exclusionary or politically sensitive (Binti Md Setamam and Sh Ahmad, 2025). On the other hand, there is apprehension about failing to meet the expectations of Muslim consumers, who are increasingly discerning regarding the authenticity and Shariah-compliance of financial products (Mohd Ariffin, Abdul Hamid and Md Amin, 2021; Trisanty et al., 2024).

As documented in the literature, accusations of Shariah-washing can have lasting reputational consequences, eroding trust and undermining market credibility (Siddique, Rashid and Tahir, 2023). This study's findings highlight that such concerns are not unfounded. Several respondents described a pervasive fear of being perceived as "opportunistic" or merely "exploiting the belief system," which in turn may discourage meaningful engagement with Islamic finance. While this existing literature examined Muslim majority jurisdictions, including Indonesia, Malaysia, and Pakistan, the present study's findings further highlight the importance of robust stakeholder engagement and transparent communication in mitigating reputational risks in the Canadian context.

In summary, reputational and authenticity barriers represent a real impediment to Islamic finance in Canada. Addressing these challenges requires not only technical compliance, but also a sustained commitment to transparency and stakeholder engagement. As the literature and this study's findings make clear, the long-term success of Islamic finance initiatives will depend on the ability of institutions to navigate these reputational dynamics with sensitivity and integrity.

5.5 Comparative Analysis: Islamic vs. Conventional Barriers

The empirical findings of this study reveal that while many barriers to Islamic financial innovation in Canada mirror those encountered in the broader context of conventional financial innovation, several challenges are unique to the Islamic finance sector. This section systematically compares these two sets of barriers, drawing on both the present study's data and the existing conventional financial literature.

5.5.1 Shared Barriers: Overlapping Challenges in Financial Innovation

This section introduces the most prominent shared barriers that exist between conventional financial products and those of Islamic finance, focusing primarily on the overlaps in supply-side challenges. While the main objective is to highlight these supply-side issues, the

discussion begins with the significant demand-side impediments. Those are the reported perceived market size and profitability as well as the lack of explicit client demand. This perspective is important as it reflects the frequently reported sentiments by respondents regarding their firms' hesitancy to invest in initiatives that do not demonstrate clear demand or sizable market potential.

By highlighting these demand-side concerns upfront, the stage is set for a deeper exploration of the supply-side barriers that hinder innovation in for conventional and Islamic solutions. The shared supply side barriers include capacity and resource constraints, organisational inertia and resistance to change, risk aversion and perceived risk, regulatory uncertainty and fragmentation, as well as legacy systems and operational challenges.

Perceived Market Size and Lack of Explicit Demand

The perceived market size and lack of explicit demand represent significant impediments to innovation in both conventional and Islamic finance. When an opportunity is perceived as niche or hard to monetise, it is commonly deprioritised in a company's selection processes. The broader innovation literature shows that imperfect market information can bias project selection in large firms against novel products. This often leads to systematic underinvestment despite the presence of underlying demand (Avagyan *et al.*, 2022). Financial firms typical have stringent hurdle rates and high fixed compliance expenditures which further disadvantage projects targeting smaller segments, since unit economics would be unfavourable at low scale (Bourque and Caracciolo, 2024). This challenge is shared across Islamic and conventional contexts, but it is amplified for Islamic finance in Canada by additional Shariah governance costs and a scarcity of reliable market data. Together, these factors depress expected returns and make projects more vulnerable to cancellations.

A further shared barrier affecting both conventional and Islamic financial innovation is the absence of clear, quantifiable client demand signals. Institutions often prioritise initiatives that demonstrate robust market potential. When demand is poorly articulated, proposed innovations are frequently deprioritised in favour of offerings with more evident commercial viability. The literature supports these findings, indicating that demand-related obstacles are significant barriers to innovation (D'Este, Iammarino and Savona, 2008; Madrid-Guijarro, Garcia and Van Auken, 2009).

In the context of Islamic finance in Canada, the challenge is compounded by a lack of clear client demand signals. Even when potential demand exists within Muslim communities, it often fails to translate into explicit requests that would prompt institutional action. This absence of demand signals leads to a perception that the market is too small to warrant

serious consideration, thereby stalling potential innovations. To mitigate these barriers, institutions must adopt proactive strategies to uncover or validate this client demand. This includes targeted market research, proactive community engagement initiatives, as well as involving potential users in the product development process, fostering partnerships with community organisations, and utilising pilot programs. This can help demonstrate demand and build confidence in the viability of new products.

Capacity and Resource Constraints

Both conventional and Islamic finance innovation face significant constraints related to limited budgets for R&D as well as shortages of internal expertise. As highlighted previously by Błach (2020) and Asimakopulos, Revilla, and Slavova (2020), these resource limitations hinder the ability of institutions to explore and implement innovative solutions. In the context of Islamic finance, these constraints are often exacerbated by the need for specialised knowledge of Shariah principles and compliance, which are often not readily available within conventional financial institutions.

This scarcity of resources and expertise not only affects the immediate capacity to innovate but also has long-term implications for institutional competitiveness and growth of the sector. Without adequate resources and expertise, institutions may struggle to keep pace with rapidly evolving technologies and market demands, as is the case with Islamic finance in Canada. Moreover, the absence of dedicated investment in capacity-building can perpetuate a cycle in which innovation is continually deprioritised, further widening the gap between conventional and Islamic financial offerings.

Collaborative efforts between institutions could help overcome these limitations and accelerate progress. Additionally, partnerships with fintech startups or technology companies may provide access to specialized expertise and innovative solutions. This could therefore enable financial institutions to stay competitive and provide products and services that serve a wider range of clients.

Organisational Inertia and Resistance to Change

Both conventional and Islamic financial innovations are impeded by engrained organisational cultures that favour established routines. As documented in the literature and verified by this study's respondents, larger institutions exhibit a strong preference for stability and predictability, which often stifles the adoption of innovative products. This inertia is reinforced by hierarchical decision-making structures and a general aversion to risk, regardless of the specific nature of the innovation (Latham and Braun, 2009). Das *et al.* (2018) further highlight that overzealous risk management, unsupportive organisational structures, and

inertia caused by local systems architecture are among the most significant internal barriers to disruptive and radical innovation in financial services. These findings are echoed in the broader innovation literature, which consistently identifies organisational culture as essential in shaping a firm's innovation capacity.

The literature underscores that innovation culture is inherently multidimensional, encompassing not only the intention to innovate but also the firm's organisational culture (Dobni, 2008). Cultures that emphasise learning, creativity, information sharing, freedom to act on new ideas, and tolerance of mistakes are consistently shown to foster innovation. Silwal (2022) further demonstrates that rigid procedures, and a lack of openness to uncertainty can significantly impede both innovation and overall firm performance. Zeb *et al.* (2021) provides additional insight by showing that organisational cultures characterised by formal rules, centralised authority, and an emphasis on stability are consistently correlate with lower innovation outcomes while market-oriented cultures, which value flexibility and risk-taking, are positively linked to innovation and improved organisational performance.

Risk Aversion and Perceived Risk

The risk-averse culture prevalent in Canadian financial institutions extends beyond mere operational caution, and spills over to overall strategic decision-making and the innovation processes. This pervasive culture of risk aversion is a hallmark of Canadian financial institutions, as noted by Mohsni and Otchere (2018) and echoed in the present study. Both Islamic and conventional innovations are subject to rigorous risk assessment processes, with projects perceived as niche or uncertain often relegated to lower priority or discontinued entirely given that commercial viability cannot be credibly demonstrated. This conservative approach is further reinforced by regulatory standards that emphasise the safety and stability of the overall financial system. This stance, while potentially limiting in terms of innovation, aligns closely with the regulatory framework that prioritises systemic stability and risk mitigation.

The implications of this risk-averse culture are far-reaching. They influence not only the pace of innovation but also the diversity of financial products available to Canadian consumers. In their quest to maintain stability and comply with regulatory expectations, financial institutions may inadvertently create artificial barriers to entry for innovative financial solutions, particularly those catering to niche markets or underserved communities. This conservative approach does indeed safeguard against potential financial instability, but this is at the expense of hindering the sector's ability to adapt to evolving financial trends and consumer demands. Consequently, the balance between innovation and risk management remains a

critical challenge for Canadian financial institutions and requires an approach that encourages innovation within the boundaries of regulatory compliance and risk tolerance.

Regulatory Uncertainty and Fragmentation

The multi-jurisdictional nature of Canada's regulatory environment creates significant challenges for all forms of financial innovation. As highlighted earlier by Clements (2018) and Lehmann (2017), the need to navigate overlapping regulations from multiple jurisdictions, slows the pace of product development and increases compliance costs. Regulatory ambiguity is particularly problematic for innovations that do not fit neatly into existing frameworks. The literature corroborates that regulatory fragmentation and ambiguity can significantly slow the pace of innovation in the financial services sector, as institutions are often reluctant to invest in new products without clear regulatory guidance (Lehmann, 2017; Kalmenovitz, Lowry and Volkova, 2025).

This regulatory complexity is further exacerbated for Islamic financial products, which must adhere to both conventional regulations and Shariah principles. The lack of standardized guidelines for Islamic finance across Canadian jurisdictions creates additional uncertainty for market participants. As a result, many potential Islamic financial innovations struggle to gain traction in the Canadian market, limiting options for Muslim consumers and hindering the growth of this sector.

Legacy Systems and Operational Challenges

Traditional financial institutions frequently operate on technology systems that date back several decades and have proven both reliable and indispensable to core business operations. However, these legacy systems are often rigid, expensive to maintain, and increasingly incompatible with contemporary digital innovations (Komandla and Perumalla, 2017). As a result, the presence of ageing technology systems seriously obstructs modernisation initiatives within the financial sector (Das *et al.*, 2018). These operational challenges are particularly pronounced in the context of Islamic finance, where the need to embed Shariah-compliant features into existing systems adds layers of complexity.

Respondents noted that introducing such products often requires modifications across multiple systems, inflating costs and extending time-to-market, thereby making such introductions unlikely. As described by one bank-based product director, even when ideas clear internal hurdles, products that do not fit easily within established infrastructure face extended implementation timelines. This structural rigidity further raises execution risk. Moreover, the operational realities of legacy systems often lead to a conservative approach towards innovation, and projects requiring extensive systems modification and non-standard

configurations are more likely to be deferred or discontinued in favour of lower-effort, lower-risk initiatives. This dynamic reinforces firms' cautious posture towards innovative solutions in favour of incremental enhancements, even when new offerings could address underserved segments.

To mitigate these barriers, institutions can pursue targeted investments in modernisation or the introductions of new systems. Partnerships with fintech firms and other external providers can also help bridge capability gaps and reduce the burden on legacy platforms (Klus *et al.*, 2019). By addressing legacy systems and operational challenges, both conventional and Islamic financial institutions can enhance their capacity for innovation and better respond to evolving client needs.

5.5.2 Unique Barriers to Islamic Finance

While many obstacles to innovation are shared across Islamic and conventional finance, there is a distinct set of challenges specific to Shariah-compliant offerings. These include the added complexity, cost, and non-standardisation of Shariah governance and the pervasive influence of systemic racism, Islamophobia, and societal bias that shape institutional behaviour and market acceptance. Furthermore, the heightened authenticity and reputational risks arising from dual scrutiny by Muslim and non-Muslim stakeholders as well as the fragmented community voice that weakens demand signalling are similarly barriers specific to Islamic finance. This section will discuss each of these barriers in detail.

Complexity and Cost of Shariah Compliance

The requirement for Shariah compliance (Abozaid, 2016; Ercanbrack, 2019) introduces additional layers of complexity and cost that are unique to Islamic finance. This prerequisite necessitates a thorough understanding of Islamic principles and their application to financial products and services. Products must be certified by recognised Shariah boards, a process that involves rigorous scrutiny and often multiple rounds of review and modification (Siddique, Rashid and Tahir, 2023). Such boards are comprised of Islamic scholars who examine each product to ensure it adheres to Islamic law and principles.

The lack of standardisation among Shariah authorities complicates product development, as institutions must navigate differing interpretations or requirements. This variation in interpretation can lead to situations where a product deemed compliant in one jurisdiction does not meet the standards in another. This discrepancy may even exist within a single jurisdiction, where a solution may be deemed compliant in one community, but not in another community within the same jurisdiction. Consequently, financial institutions may face the

challenge of tailoring their products to meet diverse Shariah requirements, potentially limiting the scalability and efficiency of their offerings.

Furthermore, ongoing monitoring is required to ensure continued compliance with Shariah rules, which necessitates dedicated resources and expertise within financial institutions. This continuous oversight involves regular audits and potential adjustments to products or services as interpretations of Islamic law evolve or changes arise. The on-going nature of this compliance process adds to the operational costs and complexities faced by financial institutions (Mukhibad *et al.*, 2023).

These challenges are not encountered in conventional finance, or at least not to the same degree. Regulatory frameworks, while complex, tend to be more uniform and more standardised within jurisdictions. The additional layer of Shariah compliance in Islamic finance necessitates specialised knowledge and increased due diligence. It also often requires longer development cycles for financial products. This can result in additional costs, both for institutions and consumers.

Systemic Racism, Islamophobia, and Societal Bias

Systemic racism, Islamophobia, and societal bias are regularly present in non-Muslim-majority contexts. These phenomena extend beyond individual prejudices, often permeating regulatory frameworks and institutional structures (Ray, 2019; Shelby, 2023). Regulatory bodies may exhibit inherent biases in their policies and decision-making processes, which can result in the prejudiced treatment of specialised products like those of Islamic finance. This bias may manifest as a reluctance to approve or support Islamic financial innovations by regulators, leading to limited access to financial resources (Beck, Demirgüç-Kunt and Merrouche, 2013).

Broader empirical research has demonstrated that such discrimination can also be embedded within the structures and cultures of financial institutions (Ray, 2019), leading to consistently worse outcomes and opportunities for visibility minority communities (Scott *et al.*, 2024). These findings are consistent with further evidence that minorities face additional hurdles and regulatory approvals when accessing capital, all of which can be exacerbated by racial and cultural bias (Bone, Christensen and Williams, 2014).

In the context of Islamic finance, Islamophobia and negative perceptions of Islam can influence both consumer demand and institutional willingness to engage with Shariah-compliant products (Riaz, Burton and Fearfull, 2023). In their meta-analysis of 345 studies, Ahmed and Matthes (2017) found that Muslims in the US, UK, and Australia are frequently

portrayed negatively in media, with Islam often depicted as a violent or threatening religion. Such media representations contribute to the reinforcement of societal biases, which can in turn shape regulatory and market actors' attitudes towards Islamic finance (Rashid, Iqbal and Tanvir, 2023). The literature further documents how Islamophobia and racialised stereotypes in the UK can lead to reputational concerns among financial institutions, resulting in risk-averse behaviour and reluctance to develop or promote Islamic financial products (Riaz, Burton and Fearfull, 2023). This dynamic is further compounded by the underrepresentation of minority groups in regulatory and decision-making bodies, which can result in policies and practices that are less responsive to the needs and realities of these minority groups, as Brummer (2020) and Shelby (2023) demonstrate in the case of the Black community in the US.

The impact of these institutional biases is far-reaching, affecting not only the operations of Islamic financial institutions but also their ability to compete on a level playing field with conventional financial entities. For instance, Islamic finance providers may face additional scrutiny in their compliance procedures, leading to increased operational costs and reduced efficiency. Moreover, the lack of standardisation in Shariah compliant products and services across different jurisdictions can create operational challenges for the institutions that provide them.

On a societal level, misconceptions and negative stereotypes about Islam can influence public perception of Islamic finance, affecting both Muslim and non-Muslim consumers alike. This can result in reduced market demand, as potential customers may hesitate to engage with Islamic financial products due to unfounded fears or misunderstandings. The lack of awareness about the principles and benefits of Islamic finance among the public contributes to this issue, creating a barrier to entry for many potential customers who might otherwise benefit from these financial solutions.

Furthermore, the media's portrayal of Islam and Muslim communities can exacerbate these issues, thereby may reinforce negative stereotypes and further marginalise Islamic finance in the broader financial landscape. Media bias can manifest in various forms, from underrepresentation of Islamic finance in mainstream financial news to sensationalised reporting that mixes Islamic finance with broader geopolitical issues. In this climate, even the term Shariah can carry negative connotations shaped by media narratives and systematic biases, prompting reputational concerns and discouraging institutions from engaging with or promoting Shariah-compliant products or services. This skewed representation can shape public opinion and influence policy decisions, ultimately creating a self-perpetuating cycle of

marginalisation for Islamic financial institutions or conventional firms that provide Shariah-compliant solutions.

The challenges posed by systemic racism and Islamophobia also extend to the workforce within the financial sector. Muslim professionals in finance may face discrimination in hiring, promotion, and daily workplace interactions, limiting their ability to contribute to and shape the industry (Ray, 2019; Scott *et al.*, 2024). This lack of diversity in leadership and decision-making positions can perpetuate existing biases and hinder the development of innovative Islamic financial products and services. Extensive research in the leadership and management literature demonstrates that diverse leadership teams are more likely to challenge entrenched assumptions, reduce groupthink, and foster greater creativity and innovation within organisations (Van Knippenberg, De Dreu and Homan, 2004; Østergaard, Timmermans and Kristinsson, 2011; Richard, Kirby and Chadwick, 2013). Conversely, homogeneity in leadership has been shown to reinforce existing power structures and cognitive biases, limiting an organisation's ability to respond to the needs of diverse stakeholders and to adapt to changing market conditions (Hambrick, Cho and Chen, 1996; Ely and Thomas, 2001). While these findings are not specific to Islamic finance, they suggest that increasing diversity in leadership is likely to be a critical factor in overcoming institutional inertia and promoting the development of innovative and inclusive financial products.

Educational institutions play a crucial role in this landscape as well. The limited inclusion of Islamic finance in mainstream finance curricula at universities and business schools contributes to a knowledge gap among future finance professionals (Hassan, Aliyu and Hussain, 2022; Worasutr, Little and Haq, 2024). This educational gap can result in a continued lack of understanding and appreciation for Islamic financial principles within the broader financial community, thereby perpetuating existing biases and hindering integration efforts.

In summary, the pervasive influence of systemic racism, Islamophobia, and societal bias can significantly constrain the growth and integration of Islamic finance within non-Muslim-majority countries. These biases manifest institutionally through regulatory differences and risk-averse behaviours among financial organisations. In addition, societal misconceptions and negative media portrayals further diminish market acceptance and consumer confidence in Shariah-compliant products. Moreover, the underrepresentation of Muslim professionals in leadership roles perpetuates inertia, limiting innovation and inclusivity within the industry. Educational shortcomings exacerbate knowledge gaps and hence compound bias issues. Addressing these intertwined challenges through inclusive policy frameworks and

comprehensive education is imperative to fostering equitable access and meaningful participation of Islamic finance in the conventional financial system.

Fragmented Community Voice and Demand Signalling

The Muslim community in Canada is characterised by its remarkable diversity, encompassing various ethnic backgrounds, cultural traditions, and interpretations of Islamic principles (Birani, 2017; Tahir and Safdar, 2022). This diversity, while enriching the community's fabric, also leads to fragmentation in perspectives regarding what constitutes acceptable Shariah compliant finance. The lack of consensus on this matter stems from several factors including differing schools of thought with respect to Islamic jurisprudence, varying degrees of religious observance, and the influence of cultural norms on financial practices.

This absence of unanimity presents challenges for financial institutions seeking to cater to the entire Muslim market. The complexity arises from the need to navigate a landscape where different segments of the community may have conflicting views on the permissibility of certain financial products or services (Ahmed and Aleshaikh, 2014; Uluyol, 2024; Norton, 2025). As one respondent noted:

“[The] Muslim community in Canada, from an outsider's perspective, that means from a non-Muslim Canadians perspective, may appear to be a wholesome monolith of Muslims in Canada. And I know that that is not the case. It is a very diverse group of people that just happen to share the same religion, but they come from different parts of the world. Their interpretation of the holy Qur'an may be different in certain aspects, and they definitely can be divided by what mosques they affiliate themselves with” (R12).

As a result of these difference, institutions find themselves unsure of whose needs to prioritise or how to achieve broad based acceptance across the diverse Muslim population. The situation is further complicated by the dynamic nature of Islamic finance, which continues to evolve in response to modern economic realities (Rejeb, Rejeb and Zailani, 2024). This leads to ongoing debates within the community about the boundaries of Shariah compliance, making it challenging for financial institutions to develop products that will remain universally accepted over time. One respondent specifically commented on the challenges presented when trying to adhere to various compliance definitions, noting, “It looks like everybody was going to be all over the map in terms of how pure the Islamic financing package needs to be” (R10).

In contrast, conventional financial innovations typically face a more straightforward path to market acceptance. These products generally encounter more homogeneous market, both in terms of its needs and expectations, while experiencing clearer demand signals from consumers (Lin, Geng and Whinston, 2001). The relative uniformity in conventional finance allows for more streamlined product development roadmaps and marketing strategies, as institutions can more easily identify and target their audience's needs and preferences. Consequently, product development cycles in conventional finance tend to be shorter and less encumbered by the need for extensive stakeholder consultation or specialised modifications. There is also less risk of encountering fundamental disagreements over the permissibility or suitability of products. As a result, conventional financial institutions are typically able to respond more rapidly to market trends and consumer demands with respect to conventional financial products and services.

The disparity between the challenges faced in Islamic finance and the relative ease in conventional finance highlights the specific complexities of catering to a religiously diverse market. This underscores the need for financial institutions to engage in extensive community consultation and collaborate with Islamic scholars, as well as invest in comprehensive market research to navigate the intricacies of Shariah-compliant finance in Canada's multicultural landscape.

Authenticity Concerns and Reputational Risk

Concerns about authenticity and reputational risk are particularly salient in the context of Islamic finance. Financial institutions operating in this space face a unique set of challenges that extend beyond typical market considerations. The religious and ethical foundations of Islamic finance create a heightened sensitivity to perceived motivations and practices. In general, institutions fear being perceived as opportunistic or insincere which could impact their profitability (Saiedi et al., 2022; Chawla et al., 2023). This is exacerbated if their engagement with Shariah compliant products is seen as profit driven. This apprehension stems from the fact that incumbent financial institutions in Canada routinely offer solutions that are clearly not compliant with the Islamic value system.

The risk of backlash from various communities is heightened by the religious and ethical dimensions of Islamic finance, which are not present in conventional product innovation (Benaziez and Hassan, 2022). Muslim consumers may scrutinise solutions for strict adherence to Shariah principles, potentially rejecting those that appear to compromise on religious standards. They might also question the authenticity of Islamic financial offerings, especially if they perceive them as simply repackaged conventional products. Conversely,

some non-Muslim consumers may perceive the introduction of Islamic financial products as an attempt by institutions to unduly cater to Muslim clients, which could be viewed as preferential treatment or as undermining secular business norms.

This dual pressure creates a complex operating environment for financial institutions. They must navigate the fine line between innovation and tradition, ensuring that new products and services are both commercially viable and unquestionably compliant with Islamic law. The challenge is further compounded by the diverse interpretations of Shariah across different schools of thought (El-Hawary, Grais and Iqbal, 2007; Ercanbrack, 2019). Moreover, the reputational stakes are particularly high in Islamic finance due to the trust-based nature of the industry. Any perceived deviation from Islamic principles or ethical standards can lead to a loss of credibility that extends beyond individual products to the institution as a whole (Abozaid, 2016; Ahmad, Razali and Said, 2023). Canada's Islamic finance sector has been marred by difficult failures, most notably the 2011 collapse of a relatively new entrant, UM Financial, which left many customers in a state of uncertainty and investors with losses (Hayat and Malik, 2014). Such incidents have contributed to enduring scepticism among Muslim consumers regarding the reliability of halal financial products and may also discourage conventional financial institutions from entering or expanding within this niche market.

5.5.3 Summary of Comparative Analysis

Therefore, although Islamic finance in Canada shares many structural and organisational barriers with conventional financial innovation, it is further constrained by unique challenges rooted in religious, cultural, and societal factors. These distinct obstacles, such as the complexity of Shariah compliance, influence of systemic bias, fragmented community perspectives, and reputational risks, require tailored solutions that go beyond those typically applied in the conventional sector. Recognising both the commonalities and the distinctiveness of these barriers is essential for developing effective strategies to foster innovation and financial inclusion in the Canadian context. Only by addressing both sets of challenges can policymakers and industry leaders create an environment in which Islamic finance can thrive alongside conventional offerings. The following section will explore the theoretical and practical implications of these findings for financial institutions, policymakers, and other stakeholders.

5.6 Recommendations for Overcoming Barriers

The persistent and multifaceted barriers to Islamic finance in Canada, as identified throughout this study, necessitate a holistic and coordinated response involving financial

institutions, policymakers, community stakeholders, and the broader financial system. Given the interdependence of these challenges, isolated efforts are unlikely to achieve meaningful or sustainable progress. Overcoming these barriers requires both targeted interventions within each stakeholder group as well as collaborative and multi-stakeholder strategies. The following recommendations provide a roadmap for fostering the sustainable growth and integration of Islamic finance within the Canadian financial sector.

Institutional Capacity Building and Leadership

A foundational step for Canadian financial institutions is the deliberate investment in internal capacity and expertise related to Islamic finance. This involves targeted recruitment of professionals with specialised knowledge of Islamic finance, ongoing professional development, and the establishment of dedicated teams focused on Shariah compliant product development and compliance. Building robust in-house expertise reduces reliance on external advisors, accelerates innovation, and enhances institutional credibility within Muslim communities (Hasan, 2011). Furthermore, encouraging executive sponsorship and empowering internal champions of Islamic finance projects will be critical for overcoming the organisational inertia that may exist within firms (Srinivasan, Agrahari and Kumar, 2023). Leadership commitment signals the strategic importance of Islamic finance and can catalyse sustained innovation within Canada's financial industry.

Enhancing Transparency, Communication, and Community Engagement

Transparency and proactive stakeholder communication are essential for addressing reputational and authenticity barriers that often surround Islamic financial products. Institutions can engage in ongoing dialogue with Muslim stakeholders, including recognised Shariah scholars and community leaders, throughout the product development lifecycle. Such engagement should be continuous and adaptive, allowing institutions to respond to evolving community expectations and regulatory requirements. Clear articulation of the institution's commitment to genuine and values-driven product, as well as regular disclosure of compliance measures and Shariah audit results can mitigate perceptions of opportunism and foster trust (Grassa, 2016). Adopting this participatory approach will not only ensure that products are responsive to actual needs but will also enhance authenticity and increase the likelihood of market acceptance.

Regulatory Reform and Policy Support

Policymakers and regulators play a pivotal role in enabling the growth of Islamic finance by harmonising and clarifying regulatory frameworks. Collaborative efforts at both the federal and provincial levels are necessary to develop consistent and supportive guidelines for

Shariah compliant products. This may involve issuing specific regulatory guidance, streamlining approval processes, and reducing regulatory fragmentation, thereby lowering compliance costs and encouraging institutional participation (Karim and Archer, 2013). Additionally, targeted interventions such as regulatory sandboxes, similar to those piloted in Alberta, can reduce perceived risks thereby catalysing innovation (Langton, 2023).

Community Empowerment and Financial Literacy

Muslim community organisations have a vital role in building their own capacity to engage effectively with financial institutions. This includes developing expertise in Islamic finance, articulating unified positions on Shariah compliance, and providing constructive feedback on product offerings. A coordinated community voice enhances advocacy efforts and signals demand more effectively (Duflos, Griffin and Valenzuela, 2021; Poland *et al.*, 2021). Moreover, prioritising financial literacy initiatives is essential for educating community members on the principle and benefits of Islamic finance solutions in Canada. Increased awareness empowers consumers and stimulates demand. It may also assist in breaking the cycle of perceived low market potential (Bouarar, 2020; Khursheed, Fatima and Mustafa, 2021; Shinkafi, Yahaya and Mohammed, 2023). Education and awareness campaigns, jointly developed by Muslim organisations and financial institutions, can play a crucial role in promoting financial literacy within the community. These initiatives can help clarify Islamic finance principles and highlight the benefits of Muslims participating in the formal financial system while adhering to religious values.

Fostering Collaboration and Exchange of Ideas

The advancement of Islamic finance in Canada requires a concerted effort from various stakeholders within the financial sector. Industry associations play a crucial role in setting standards and promoting best practices, while academic institutions contribute through research and education. Civil society organisations can advocate for inclusive policies and raise awareness about Islamic finance principles. By working together, these entities can address systemic racism and promote diversity more effectively. This collaborative approach may involve implementing comprehensive anti-bias training programs across the sector and actively promoting diverse leadership in financial institutions (Carter, Onyeador and Lewis, 2020; Apelehin *et al.*, 2025). Such initiatives can help create a more inclusive environment that is receptive to Islamic finance principles and practices.

Government agencies can also play a pivotal role in facilitating this collaboration by convening multi-stakeholder forums, roundtables, and working groups to investigate the development of Shariah-compliant solutions in Canada. These platforms could provide

opportunities for knowledge sharing and consensus building, as well as the potentially the identification of best practices in Islamic finance (Ansell and Gash, 2008; Nederhand, 2021). Additionally, ongoing research and data collection are essential to understand additional barriers and opportunities, associated with Islamic finance in the Canadian context. This evidence-based approach can both inform policy decisions and improve industry practices. It would also lead to a more informed public discourse on Islamic finance. By addressing these aspects comprehensively, Canada can create a more conducive environment for the growth and integration of Islamic finance within its financial system.

Promoting Inclusive Narratives and Public Awareness

Finally, engaging with media outlets to promote accurate and balanced reporting on Islam in general, as well as Islamic finance and its role in the global financial system is vital (Khan and Ali, 2018). Interfaith dialogues can further enhance understanding and acceptance of Islamic finance within Canadian society, reinforcing its legitimacy and social relevance. Moreover, collaborating with educational institutions to develop curricula and research programs focused on Islamic finance can cultivate a new generation of professionals in this field, further improving Canada's position in this space. By involving diverse stakeholders these dialogues can foster mutual understanding and identify common ground between Islamic finance principles and broader societal values. This approach not only reinforces the legitimacy of Islamic finance but also emphasises its social relevance in addressing contemporary financial challenges and promoting ethical economic practices (Shafiq and Abu-Nimer, 2011; Hamdani, 2024).

Overall, overcoming the barriers to Islamic finance in Canada requires coordinated, multi-level action. By investing in institutional capacity, fostering inclusive leadership, clarifying regulatory frameworks, empowering communities, and promoting collaborative knowledge exchange, stakeholders can disrupt entrenched cycles of exclusion and organisational inactivity. These recommendations, grounded in empirical evidence and international best practices, provide a strategic pathway for advancing financial inclusion and innovation within the Canadian financial sector.

5.7 Theoretical and Practical Contributions

The findings of this study offer significant contributions to both the theoretical understanding of financial innovation and the practical advancement of Islamic finance in Canada. By explaining the complex, interrelated barriers impacting the introduction and growth of Islamic finance in Canada, this research extends existing frameworks and provides actionable insights for industry practitioners and policymakers, as well as community stakeholders. This

study not only addresses a critical gap in the literature on Islamic finance in non-Muslim-majority contexts but also highlights the distinctive challenges present within the Canadian financial landscape. By drawing on empirical evidence, the research provides a nuanced perspective that is relevant to both academic scholars and industry practitioners.

5.7.1 Theoretical Contributions

The framework advanced here organises barriers into six categories encompassing 17 distinct items. It was comprised of market (demand-side constraints and signalling), capacity (human capital and limited investments in R&D), organisational (inertia, executive sponsorship, and risk aversion), regulatory (uncertainty, cost and complexity, as well as legacy systems), systemic (racism, political will, and community fragmentation), and authenticity (reputational legitimacy and execution risk) barriers. This investigation outlined how these categories and individual barriers interact through self-reinforcing feedback loops and hence contribute a systems perspective to the study of financial innovation in the context of Islamic finance in Canada.

This study's identification of deeply interconnected and reinforcing barriers contributes to the literature on innovation management, particularly in highly regulated and conservative sectors such as financial services. While prior research has recognised the existence of multiple and overlapping barriers to innovation, the present findings move beyond additive descriptions of barriers to a dynamics-based perspective, in which how the obstacles are arranged and linked determines whether innovation can happen. This framing further demonstrates how these barriers can form loops that perpetuate institutional inertia and stifle change. The Canadian Islamic finance context thus provides empirical support for the argument that innovation barriers are not merely additive but are compounding and therefore require holistic and systemic approaches to be overcome.

From a comparative perspective, the thesis also clarifies that while conventional financial innovation is often impacted by traditional barriers such as regulatory constraints and organisational inertia, Islamic finance in Canada additionally confronts systematic biases as well as authenticity and reputational barriers. Hence, the findings of this research also contribute to the growing body of literature on financial inclusion and social justice in advanced economies like that of Canada's. By documenting how systemic racism, Islamophobia, and personal biases uniquely impede the development of Islamic finance, this study highlights the intersection of innovation barriers with broader issues of equity and access. The research thus supports calls for a more inclusive and socially responsive

approach to financial innovation, one that recognises the diversity of consumer needs and the structural impediments faced by minority groups.

Furthermore, the Canadian context, with its fragmented regulatory environment and multi-jurisdictional oversight, provides a valuable case for examining how regulatory complexity interacts with organisational behaviour. The findings suggest that regulatory uncertainty not only creates direct compliance challenges but also amplifies organisational risk aversion and inactivity, thereby reinforcing the status quo as it pertains to the state of Islamic finance locally. This insight refines existing theories of regulatory adaptation by emphasising the recursive relationship between external constraints and internal organisational dynamics.

5.7.2 Practical Contributions

Findings of this study underscore the challenges that limit the proliferation of Islamic finance within Canadian financial institutions. First and foremost, firms need to satisfy themselves that the size of the Islamic finance market warrants the investments required to overcome the existing obstacles. Such investments include building internal expertise and capacity rather than relying solely on external resource, thereby reducing costs and enhancing flexibility. Executive sponsorship and the encouragement of internal champions will also be critical for overcoming organisational inertia and risk aversion against Islamic financial solutions. Furthermore, institutions could engage in proactive stakeholder engagement, including transparent communication with both Muslim and non-Muslim communities, in order to mitigate issues around reputational risks and demonstrate authenticity in their offerings.

Canadian policymakers and regulators also play a pivotal role in shaping an accommodating environment for Islamic finance. The findings highlight the critical need for greater regulatory clarity and harmonisation across jurisdictions, which would reduce compliance uncertainty for institutions and lower barriers to entry for new products. Targeted incentives or support mechanisms can encourage financial institutions to develop and offer Shariah-compliant products. Notably, the Canadian government's 2024 federal budget announcement to explore "new measures to expand access to alternative financing products, like halal mortgages" exemplifies such policy support (Canada, Department of Finance, 2024, p. 74). Regulatory reforms need to also be accompanied by diversity and inclusion initiatives aimed at addressing systemic biases and promoting equitable access to financial services.

Establishing a unified and organised community voice in signalling demand and shaping product development is likewise crucial. Muslim community organisations and religious leaders need to collaborate to articulate clear and consensus-based positions on Shariah

compliance and product needs. Such coordination can facilitate more effective engagement with financial institutions and regulators and would help ensure that products are both authentic and responsive to community values. Additionally, community-driven education and outreach can play a vital role in increasing awareness and trust in Islamic finance.

Finally, the findings have implications for the broader Canadian financial ecosystem. Addressing the barriers to Islamic finance is not only a matter of market development but also of advancing financial diversity and social cohesion. By fostering an environment that supports innovation for underserved communities, Canada can position itself as a leader in ethical and inclusive finance, with potential spillover benefits for other forms of socially responsible and faith-based financial innovations.

5.7.3 Summary of Theoretical and Practical Contributions

Overall, this study advances theoretical understanding by demonstrating the compounded and systemic nature of innovation barriers in Islamic finance. It formalises six categories of barriers, models their interdependencies and feedback loops, and compares conventional barriers from those distinctive to Islamic finance in Canada. It also offers practical guidance for institutions and regulators, as well as community stakeholders. By situating this Canadian experience within the broader context of financial innovation, the research highlights both the universal challenges faced by the sector as well as and context-specific societal and cultural barriers that impact the development of Islamic finance. The following section will critically examine the methodological, empirical, and analytical limitations of this study, providing important context for interpreting the results and guiding future research directions.

5.8 Limitations of the Study

While this study provides valuable insights into the barriers to innovation of Islamic finance in Canada, it is important to acknowledge several limitations that may influence the interpretation and transferability of the findings. No single research design can fully capture the complexities of a highly intricate and quickly evolving sector, and this investigation is no exception. Recognising these limitations is essential for contextualising the results and guiding future research. By explicitly outlining the methodological, empirical, and analytical constraints, this section aims to provide transparency and support the proper application of the study's findings.

5.8.1 Methodological Limitations

The research design employed in this study was qualitative, relying primarily on semi-structured interviews with senior executives and leaders within the Canadian financial sector.

While this approach facilitated an in-depth exploration of complex and context-specific barriers, it inherently limited the generalisability of the findings. Although a purposive sampling strategy was effective in capturing expert perspectives, it meant that the results collected reflected the experiences and interpretations of only a select group rather than a statistically representative cross-section of the industry (Saunders, Lewis and Thornhill, 2009; Creswell and Creswell, 2017). Additionally, the focus on senior leaders may introduce a bias towards strategic and executive perspectives, potentially overlooking operational or frontline challenges. Lastly, and as with qualitative research, there is a risk of researcher bias in data collection, analysis, and interpretation. Despite efforts to enhance trustworthiness, with strategies such as reflexivity, peer debriefing, transparent reporting, and the use of verbatim quotations, subjectivity cannot be entirely eliminated (Birks, Chapman and Francis, 2008).

5.8.2 Empirical Limitations

This study's empirical focus was primarily on incumbent financial institutions, including established banks, credit unions, boutiques, asset managers, and insurance companies. As a result, the experiences and barriers faced by new entrants and young startups may be underrepresented. Given the increasing significance of fintech and alternative finance in driving innovation, future research should consider a broader range of organisational types to capture a more comprehensive picture of the Islamic finance barriers. Additionally, the data were collected during a specific period, reflecting the regulatory, market, and societal conditions at that time. As financial regulation, market demand, and societal attitudes evolve, some of the barriers identified may shift, underscoring the need for ongoing monitoring and longitudinal research.

5.8.3 Analytical Limitations

The study prioritised depth of analysis over breadth, focusing on the lived experiences and perceptions of a relatively small group of industry leaders. While this approach yielded rich and contextually grounded insights, it may have overlooked certain barriers that could emerge in a broader or more quantitative study. Notably, the perspectives of consumers, regulators, or Shariah scholars were not directly captured, which may limit the comprehensiveness of the thematic analysis. Furthermore, given the sensitive nature of topics such as systemic racism, Islamophobia, and reputational risk, there is a possibility that participants moderated their responses to align with perceived social norms or to present their institutions in a favourable light, despite assurances of anonymity and confidentiality. Social desirability bias remains a potential limitation in qualitative research on sensitive issues (Bispo Júnior, 2022).

Overall, while this study offers important contributions to understanding the barriers to innovation in Islamic finance, its findings should be interpreted in light of the methodological, empirical, and analytical limitations outlined above. These limitations highlight the importance of caution when generalising the results to other contexts. Addressing these limitations in future research, through larger and more diverse samples, mixed method approaches, and longitudinal designs, could further enhance the robustness and applicability of knowledge in this field. Continued scholarly attention to these issues will help build a more holistic and nuanced understanding of barriers to Islamic finance in Canada and beyond.

5.9 Directions for Future Research

The findings and limitations of this study highlight the need for continued scholarly inquiry into Islamic finance in Canada. Despite recent progress, significant gaps remain in our understanding of how to best foster innovation and overcome persistent barriers within the industry. As the sector, future research could aim to deepen our understanding of it and support the development of a more inclusive financial system. The following directions are proposed to address current knowledge gaps and to build on the insights generated by this research.

5.9.1 Expanding Stakeholder Perspectives

A possible option for future research entails broadening the range of stakeholder perspectives included in empirical studies. While this study focused primarily on senior executives and leaders within incumbent financial institutions, subsequent research could incorporate the voices of Muslim clients, community organisations, Islamic Scholars and advocacy groups to better understand demand-side barriers and lived experiences regarding Islamic finance. Employing methods such as focus groups, community-based participatory research, or large-scale surveys could yield valuable insights into potentially important factors such as consumer demand, awareness, trust, willingness to adopt Shariah-compliant products, and potential barriers to adoption. Additionally, engaging with regulators, policymakers, Shariah scholars, and fintech innovators is essential, as these stakeholders play pivotal roles in shaping the regulatory environment and driving technological change. Comparative studies examining the relationship between traditional financial institutions and emerging fintech providers could further clarify new pathways for innovation and inclusion.

Lastly, given the potential significant influence of political will on the macro environment for financial innovation in Canada, future research could examine the interplay between political priorities, regulatory reforms, and the institutionalisation of Islamic finance. Understanding how government leadership and policy advocacy shape the regulatory context will provide a

more comprehensive account of the barriers and enablers of Islamic finance in non-Muslim-majority contexts.

5.9.2 Comparative and Longitudinal Approaches

Given the particulars of the Canadian regulatory system as well as the unique cultural context of the country, comparative research with other non-Muslim-majority countries would enhance understanding of how different environments shape the barriers of Islamic finance. Similar Western non-Muslim majority countries such as the UK, the US, and Australia would be the most appropriate for such comparisons. These cross-jurisdictional studies may identify best practices or transferable policy solutions. Furthermore, interviewing executives from conventional institutions that have launched Islamic finance subsidiaries (e.g., Standard Chartered, HSBC) may offer valuable insights into their attitudes towards or interest in the Canadian market. Including perspectives from Islamic finance providers present in comparable jurisdictions, such as AlRayan Bank in the UK, would further enrich the analysis by highlighting barriers faced by industry entrants in similar contexts.

In addition, longitudinal research tracking the development of Islamic finance initiatives and market responses over time would provide valuable evidence on the effectiveness of interventions as well as the persistence or transformation of barriers. These approaches are particularly important given the dynamic nature of financial regulation and evolving societal attitudes towards Islamic finance and diversity in Canada.

5.9.3 Methodological Innovations

Future research may also benefit from methodological diversity, including the use of mixed-methods or quantitative designs, as those could complement the qualitative insights already gained from this study. Large-scale surveys of financial institutions or regulators could quantify the relative importance of the different barriers already identified. In addition, interdisciplinary approaches that draw on insights from economics and religious studies could provide a more holistic understanding of the multifaceted challenges facing Islamic finance. Finally, greater reflexivity in research design and analysis will be important for recognising and mitigating potential biases.

5.9.4 Thematic and Substantive Areas for Further Inquiry

Several areas of the current study warrant deeper investigation. First, future research should explore concrete strategies for disrupting the self-reinforcing cycles identified in this study. This may include case studies of successful Islamic finance initiatives from other non-Muslim-majority countries, like the UK. Further, given the documented impact of systemic

racism and Islamophobia, future studies should examine the broader implications of equity and inclusion initiatives in the Canadian financial sector. Additionally, there is benefit in investigating the role of public awareness campaigns in shaping the future trajectory of Islamic finance.

Overall, advancing research on barriers to Islamic finance in Canada will require broader stakeholder engagement and comparative and longitudinal designs. Methodological innovation and a focus on actionable solutions is also recommended. By addressing these directions, future scholarship can contribute to a more inclusive financial system, one that better serves the needs of Canada's diverse population and positions the country as a leader in ethical and innovative finance.

5.10 Chapter Summary

This chapter has provided a comprehensive synthesis of the barriers to the introduction and growth of Islamic finance within Canadian financial institutions. Through a thematic synthesis of interview data, the study has illustrated the multifaceted and interconnected nature of the obstacles facing Islamic finance in Canada. Furthermore, it integrated the empirical findings with the broader innovation literature and highlighted implications for both theory and practice, and policy. The analysis revealed that many barriers, such as organisational inertia, risk aversion, regulatory complexity, and resource constraints, are shared with conventional innovation. Islamic finance however faces additional challenges. These include the complexity and cost of Shariah compliance, systemic racism and Islamophobia, fragmented community demand, and authenticity and reputational concerns. These barriers often form feedback loops that perpetuate the current state institutional inaction. Removing these barriers will be difficult without coordinated multi-stakeholder interventions.

By examining these findings in the context of existing research, this chapter shows how the Canadian experience aligns with trends in other jurisdictions. The nature of interconnectedness of barriers in Canada highlights the need for comprehensive and systemic solutions that address not only regulatory and organisational factors but also societal attitudes and community engagement barriers.

Theoretical contributions of this research include explaining how innovation barriers interact while highlighting the intersection of financial innovation with issues of equity and inclusion. Practically, the study offers actionable recommendations for financial institutions, policymakers, and community stakeholders. These include investing in internal expertise, encouraging executive sponsorship, harmonising regulatory frameworks, promoting financial

literacy, and supporting collaborative product development. The importance of addressing systemic racism and promoting diversity and inclusion within the financial sector is also emphasised as a critical for overcoming the identified barriers.

The limitations of the study included its qualitative design, the focus on incumbent institutions, and the Canadian only context. Directions for future research have been outlined, and these include expanding stakeholder perspectives and employing comparative and longitudinal methodologies. Exploring strategies for breaking feedback loops and fostering inclusive innovation is crucial areas worth studying in greater depth.

In conclusion, this research makes a significant contribution to the understanding of barriers to Islamic finance and innovation in Canada. By revealing the compounding set of barriers and proposing pathways for overcoming them, this study advances academic knowledge and provides a foundation for practical action. Addressing the identified barriers is essential for the development of Islamic finance. It is equally crucial for promoting financial inclusion, and social cohesion in Canada's evolving financial landscape. In sum, the meaning-making process developed in this chapter situates the Canadian experience within a wider comparative landscape, highlighting both universal and context-specific challenges for Islamic finance innovation.

6 Conclusion

This final chapter concludes the dissertation by synthesising the key insights and contributions of the research. The primary aim of this study is to examine the barriers to innovation that hinder the introduction and growth of Islamic finance from a supply side perspective. Despite Canada's reputation for openness to financial innovation and its increasingly diverse population, the development of Islamic finance remains limited. This raises important questions about the various barriers that constrain its proliferation.

This chapter begins by summarising the core objectives, research questions, and methodological approach that guided this study. It then provides a concise synthesis of the main findings, highlighting the interconnected barriers and feedback loop identified through the qualitative analysis. The chapter proceeds to discuss the theoretical and practical contributions of the research, as well as the recommendations advised. It also acknowledges the limitations of the study and suggests directions for future research that can build upon this work. The chapter concludes with final reflections on the significance of addressing supply side innovation barriers to advance Islamic finance, as well as the importance of financial inclusion and diversity in Canada's financial landscape.

6.1 Summary of the Study

This research investigates the persistent gap between the growing demand for Islamic finance in Canada and the limited supply of Shariah-compliant financial products and services offered by incumbent financial institutions. This study was motivated by the observation that, despite Canada's well-developed financial sector and its openness to innovation, Islamic finance remains marginalised despite the rapidly expanding Muslim population. This phenomenon raises important questions regarding the barriers that impede the development and growth of Islamic finance in a non-Muslim-majority context.

The overarching aim of this study was to explore the supply side barriers to Islamic finance. More specifically, the research sought to (1) to identify the barriers to innovation specific to the introduction and growth of Islamic finance within Canadian financial institutions; (2) to analyse the applicability of the barriers-to-innovation framework in the context of Islamic finance in Canada; (3) to compare the barriers impacting Islamic finance with those encountered in conventional financial settings; (4) to propose actionable recommendations for overcoming the identified barriers thereby fostering the growth of Islamic finance in Canada; and (5) to contribute to the academic literature on financial innovation and Islamic finance in non-Muslim-majority countries.

To achieve these objectives, the study employed a qualitative, phenomenological research design. In-depth, semi-structured interviews were conducted with 22 senior executives and innovation leaders from a diverse range of Canadian financial institutions, including Schedule I banks, credit unions, boutique firms, asset managers, and insurance companies. It focused exclusively on the supply side intentionally and excluded demand-side factors such as consumer awareness and preferences, which have been explored in prior studies.

The analysis was grounded in the barriers-to-innovation framework and informed by broader innovation and financial inclusion theory. This study systematically examined the Canadian organisational context, focusing on the shared as well as the unique challenges introducing Islamic finance in Canada. By focusing on the lived experiences of industry practitioners, this study generated rich and context-sensitive insights into the complex set of barriers that inhibit Islamic finance in Canada.

Overall, this dissertation provides a comprehensive account of the multifaceted and interconnected barriers to innovation facing Islamic finance in Canada. It likewise offers evidence-based recommendations to support the advancement of a more inclusive and innovative financial industry in the country.

6.2 Key Findings

This research identified a complex and interdependent system of barriers that collectively hinder the development of Islamic finance within Canada's financial institutions. Through utilising in-depth qualitative interviews with senior leaders in the industry, this study revealed that the lack of growth of Islamic finance is not attributable to a single factor but rather to a network of mutually reinforcing obstacles that span market, knowledge, organisational, regulatory, societal, and reputational domains.

Market and Demand-Side Barriers

A dominant theme emerging from the study was the perception among financial institutions that the addressable market for Islamic finance in Canada is too small to justify significant investments required. Many participants described a lack of explicit client demand, where few customers were actively asking for Shariah-compliant products, as a further impediment. These barriers have led to the de-prioritisation of Islamic finance initiatives within institutions and created a self-reinforcing cycle in which limited supply inhibits market awareness, which negatively impacts demand, which in turn justifies continued institutional inaction.

Knowledge, Skills, and Capacity Barriers

The findings also indicate a lack of internal expertise related to Islamic finance as an important barrier. Most of the institutions researched did not internally house the expertise to develop or service halal products and therefore needed to rely heavily on external advisors for compliance and product development. This would inevitably increase costs and potentially slows innovation. Limited investment in R&D specific to Islamic finance, combined with competing internal priorities and resource constraints further exacerbates the problem as they impeded firms' ability to develop and sustain Shariah-compliant solutions.

Organisational and Cultural Barriers

Organisational inertia and resistance to change have also been found to be a significant barrier to innovation. Many respondents described deeply entrenched practices and a preference for established routines as a challenge in innovating in the context of Islamic finance. This was particularly pronounced within large incumbent institutions. The absence of executive sponsorship or internal champions was also frequently mentioned as a critical barrier, with Shariah-compliant ideas often failing to gain traction without visible and strong leadership support. Lastly, risk avoidant cultures were also reported as an impediment to these types of products.

Regulatory and Structural Barriers

Regulatory uncertainty and fragmentation similarly have emerged as significant barriers. The lack of a unified national regulatory framework and the complexity of navigating multiple provincial regulators collectively create significant ambiguity and compliance challenges in Canada, and this is more so noteworthy in the case of Islamic finance. The complexity of product development and the high cost of obtaining Shariah certifications, coupled with legacy systems that are ill-equipped to accommodate Islamic financial offerings, further increased operational and financial barriers.

Systemic and Societal Barriers

Systemic racism, Islamophobia, and personal biases are pervasive obstacles. Several participants highlighted that these negative societal attitudes and stereotypes hinder the objective evaluation of the business case for Islamic finance, both within institutions and in the broader marketplace. This often results in Islamic financial solutions being intentionally passed over. A lack of political will were also cited as factors that complicate product development within the context of Islamic finance. Similarly, a fragmented Canadian Muslim community was seen as unhelpful in advocating for its needs in a unified manner.

Collectively, these factors present significant barriers to the advancement of these offerings in Canada.

Reputational and Authenticity Barriers

Lastly, concerns regarding firms' reputational risk and authenticity surfaced as barriers within the Canadian context. The risk of backlash, from both Muslim and non-Muslim communities, as well as the potential for reputational damage from poorly executed or non-compliant products were seen as important deterrents to innovation in this space. Institutions also expressed apprehension about being perceived as opportunistic or insincere in their engagement with Islamic finance, particularly if their offerings were seen as superficial or profit driven.

Interconnectedness and Feedback Loops

A key insight from this study is that these barriers are not discrete or independent, rather they are deeply interconnected and often reinforcing. The examples of interconnectedness are many including how societal biases impact and become embedded within institutional cultures and how regulatory uncertainty amplifies organisational risk aversion. Legacy systems can also have a compounding effect on a organisational inertia, while perceptions of weak demand may limit R&D investments within the marketplace. This interconnectedness creates a challenging environment for Islamic finance and innovation, making progress difficult without coordinated interventions.

Feedback loops are another impediment to proliferation of Islamic finance in Canada. The perception of limited market demand discourages institutional investment and internal capacity building, which in turn limits product availability. A lack of abundantly available products hence reinforces the perception of depressed demand. Additionally, regulatory ambiguity and fragmentation heighten institution's perceptions of risk. This makes executives less willing to sponsor or champion Islamic finance initiatives. Without executive sponsorship, institutions are less likely to engage with regulators to clarify or harmonise frameworks, perpetuating regulatory uncertainty and maintaining high perceived risk, thus reinforcing the feedback loop. A third example of such feedback is how a lack in internal capacity and knowledge places greater emphasis on the use of external resources and advisors. This in turn increases product development costs, which further lowers organisational appetite to build internal capacity for more expensive or less profitable offerings.

Collectively, these findings demonstrate that barriers to innovation in Islamic finance in Canada are multifaceted and context specific. They are deeply embedded within the

structures and cultures of the financial sector, and hence addressing these barriers will require a holistic and systemic approach. To overcome the identified barriers and disrupt their cyclical nature, there is a clear need to target market perceptions, organisational practices, regulatory frameworks, and societal attitudes collectively and not in isolation.

6.3 Power Asymmetries and Innovation Outcomes

The findings of this study shed light on how institutional and political factors shape financial innovation in Canada. They reveal that regulatory uncertainty, organisational risk culture, outdated systems, and concerns about reputation and authenticity work together to keep the system locked into its forms. From an institutional theory perspective, these patterns show how established rules and ways of thinking influence how major financial players assess and support unconventional forms of innovation, such as Islamic finance. From a political economy viewpoint, the results highlight how power is distributed between regulators, established financial institutions, and minority communities. Regulators and industry leaders largely control the pace and direction of innovation, while minority communities often have limited influence and fragmented ways to make their voices heard.

Furthermore, the study revealed that power imbalances appeared consistently across its main themes. Regulatory and structural barriers allowed certain actors to control the policy agenda, while organisational and cultural barriers reinforced how established institutions assess and manage risk. At the same time, systemic, social, and reputational barriers made it more costly for organisations to break from traditional ways of operating. To overcome these challenges, innovation in Islamic finance will require deliberate efforts to reduce these imbalances and sources of friction. This includes creating clearer and more consistent regulations, establishing inclusive consultation processes that involve minority communities, securing executive support within financial institutions, building internal expertise, and maintaining ongoing engagement with stakeholders. Viewed through institutional and political economy perspectives, the findings highlight that innovation is not just a technical or operational issue, rather it can be deeply shaped by structures, incentives, and power dynamics.

6.4 Theoretical Contributions

This study makes several important theoretical contributions to the literature on financial innovation, barriers to innovation, and the development of Islamic finance in the non-Muslim-majority context of Canada.

Firstly, much of the existing research on Islamic finance has focused on demand-side factors such as consumer awareness and attitudes. Similarly, much of this literature has concentrated on Muslim-majority countries. This study however shifts the analytical lens to the supply side in the non-Muslim majority context of Canada and provides an empirically grounded understanding of how incumbent financial institutions perceive and experience barriers to Islamic finance. By highlighting the perspectives of industry leaders and decision-makers, this study addresses a critical gap in the literature and offers a more holistic account of the forces shaping the evolution of this growing field of finance.

Additionally, by applying and extending the barriers-to-innovation framework developed by Das *et al.* (2018) within the Canadian context, this study demonstrates the utility and adaptability of this model for analysing innovation challenges in highly regulated and multifaceted financial systems. It not only corroborates the core categories of organisational barriers identified in the existing literature but also extends their work by identifying new categories of barriers to innovation that are specific to the development of Islamic finance in Canada.

Furthermore, and as highlighted previously, a significant theoretical contribution of this thesis is the identification and analysis of the interconnectedness and feedback loops among different categories of barriers. Rather than treating barriers as isolated obstacles, this study demonstrates how factors such as market perceptions, organisational inertia, regulatory ambiguity, and societal biases combine to create a self-reinforcing system that perpetuates the underdevelopment of Islamic finance in Canada. This systems-oriented perspective enriches existing models of innovation barriers and offers a more nuanced understanding of why incremental progress is difficult to achieve.

Moreover, this study makes a novel contribution to the literature by documenting barriers that are distinctive to Islamic finance within the Canadian context. These include the role of systemic racism and Islamophobia, reputational risks associated with faith-based financial products, and challenges posed by fragmented community voices within the Muslim population. By integrating considerations of diversity and minority market dynamics into the analysis of innovation barriers, this study advances a more inclusive and context-sensitive approach to financial innovation theory.

Finally, this thesis bridges the fields of innovation studies and financial inclusion by demonstrating how barriers to the development of Islamic finance are not only a matter of organisational or market inefficiency but are also linked to broader questions of equitable

access and economic participation. The findings suggest that overcoming innovation barriers in Islamic finance can contribute to a more inclusive and diverse financial system.

In summary, this research advances the theoretical understanding by (1) addressing a critical gap in the existing literature on Islamic finance, (2) extending the barriers-to-innovation framework, (3) showcasing the interconnected nature of innovation barriers in Canada, (4) comparing conventional barrier to innovation with those specific to Islamic finance, and (5) drawing connections between innovation and inclusion in the financial sector.

6.5 Practical Implications

The findings of this study have significant practical implications for the development of Islamic finance in Canada. By outlining the multifaceted and interconnected barriers that inhibit this specialised form of financing, this study offers actionable insights for financial institutions, policymakers, community stakeholders, and the financial ecosystem as a whole.

Implications for Financial Institutions

For Canadian banks, credit unions, asset managers, and other financial service providers, this study highlights the need to move beyond a passive or reactive approach to Islamic finance. Institutions seeking to meet the growing demand for Shariah-compliant products can consider investing in building internal expertise and capacity rather than relying solely on external consultants or ad hoc initiatives. This may involve targeted recruitment, professional development, and establishing dedicated teams or units focused on Islamic finance.

Furthermore, this study underscores the importance of executive sponsorship and internal champions in overcoming organisational inertia. Senior leadership would need to not only endorse but also actively support Islamic finance initiatives by signalling the strategic relevance of these initiatives while allocating the necessary resources for their development. Institutions can also foster a culture of openness to financial innovation and inclusion by encouraging cross departmental collaboration and wider stakeholder engagement throughout the product development lifecycle.

Implications for Policymakers and Regulators

This study identifies regulatory fragmentation and uncertainty as two critical barriers to innovation in Islamic finance. Policymakers at both the federal and provincial levels need to work collaboratively to harmonise regulatory frameworks, clarify the treatment of Shariah-compliant products, and reduce the compliance ambiguity that currently exists. This may include the development of specific guidelines for Islamic finance and the advancing of

incentives or support mechanisms to encourage financial institutions to develop and offer Islamic financing solutions.

In addition, regulators and policymakers may need to integrate diversity, equity, and inclusion objectives into financial sector policy, as that barriers to Islamic finance are not only technical or economic in nature, but also social and cultural. Addressing systemic bias and promoting equitable access to financial services can help ensure that the benefits of financial innovation are widely shared.

Implications for Community Stakeholders

Muslim community organisations and Shariah scholars also have likewise a vital role to play in the co-design and promotion of Canadian Islamic finance products. The findings suggest that a coordinated and unified community voice can enhance demand signals and facilitate meaningful consultation with financial institutions. Such coordination can also ensure that product offerings are both authentic and responsive to community needs. Community stakeholders could prioritise financial literacy and public education initiatives to clarify Islamic finance and counter misconceptions that may exist among both Muslim and non-Muslim Canadians.

Broader Sectoral and Societal Implications

By addressing the supply side barriers to innovation, Canada's financial sector may advance the growth of Islamic finance as well as the broader goals of financial inclusion and diversity. The development of authentic and accessible Shariah-compliant solutions can help reduce financial exclusion among Muslim Canadians and foster deeper trust in financial institutions. This could position Canada as a leader in ethical and responsible financing, and hence the impact of this on the Canadian economy could be materially advantageous.

In summary, the research underscores the importance of multi-stakeholder collaboration across industry, government, and the community unlock the potential of innovation for underserved or minority market segments. Therefore, this study calls for a holistic and coordinated approach to overcome the barriers to Islamic finance in Canada and to disrupt feedback cycles and. By implementing the recommendations outlined above, stakeholders can help create a more inclusive, innovative, and resilient financial ecosystem that reflects the diversity and dynamism of Canadian society.

6.6 Limitations of the Study

While this study provides valuable insights into the barriers to innovation in Islamic finance within Canada, several limitations should be acknowledged. Recognising these limitations is

essential for interpreting the findings, situating the study within the broader literature, and informing future research directions.

First, this study employed a qualitative, phenomenological research design, relying primarily on in-depth, semi-structured interviews with senior executives and innovation leaders from a range of Canadian financial institutions. While this approach enables the collection of rich, context-specific data and facilitates a deep exploration of the lived experiences of senior leaders in the industry, it also inherently limited the generalisability of the findings. However, it can be argued that conducting in-depth interviews with senior leaders, a rarity in research, represents a distinctive strength of this investigation and a positive contribution to the literature. Thus, this study prioritised depth of analysis over breadth, focusing on the lived experiences and perceptions of a relatively small group of senior industry leaders. While this approach yielded nuanced insights into the complex interplay of barriers, it may have overlooked certain factors or alternative perspectives that a broader study might capture.

Additionally, while the purposive sampling strategy is appropriate for phenomenological enquiry, it means that the results may only reflect the perspectives of a select group of senior industry leaders rather than a statistically representative cross-section of the Canadian financial sector. Hence, the study primarily focuses on established incumbent institutions and may not fully capture the experiences or barriers faced by new entrants, start-ups, or fintech innovators, as they represented a smaller subsection of the overall sample. Additionally, this study concentrated on supply side actors, intentionally excluding demand-side perspectives, such as those of consumers, advocacy groups, and Shariah scholars. Consequently, the study may not reflect the full spectrum of barriers present in the broader ecosystem. Future research may employ alternative methodologies to encompass the full spectrum of views present across the diverse Canadian financial landscape.

Furthermore, as with all qualitative research, there is a risk of researcher bias in the collection and interpretation of data. Although efforts were made to enhance trustworthiness, including journaling, reflexivity, peer debriefing, and transparent reporting, subjectivity could not be entirely eliminated. This researcher's preconceptions, as well as his background and professional experience in Islamic finance may have influenced the framing of questions, interpretation of participant responses, and thematic analysis. This potential bias was acknowledged and critically examined throughout the research process, with efforts made to minimise it as much as possible.

Moreover, the data were collected during a specific period and reflect the regulatory, market, and societal conditions that prevailed at that time. As the Canadian financial landscape

evolves, some of the barriers identified in this study may diminish, intensify, or change altogether. Therefore, the findings should be interpreted as a snapshot of the current context rather than universally or permanently applicable.

In summary, while this study makes a significant contribution to the understanding of supply side barriers to Islamic finance in Canadian, its findings should be interpreted in light of these methodological, empirical, and contextual limitations. Addressing these limitations in future research will help further validate, extend, and refine the insights presented in this thesis.

6.7 Directions for Future Research

While this study provides important insights into the supply side barriers to innovation in Islamic finance within the Canadian context, it also highlights several avenues for future research that can deepen and broaden our understanding of this field. Future research should expand the range of stakeholders included in empirical studies of Islamic finance barriers. While this study focused on senior leaders and decision-makers within incumbent financial institutions, further research could incorporate the perspectives of consumers, community organisations, Shariah scholars, advocacy groups, and frontline staff. Including demand-side voices would provide a more holistic understanding of the barriers to and opportunities for Islamic finance in Canada.

Comparative research examining the experiences of other non-Muslim-majority countries, such as the UK, the US, or Australia, could help to enhance our understanding of the Canadian context and may identify transferable best practices or context-specific challenges. Cross-jurisdictional studies could also explore how different regulatory environments and community structures shape Islamic finance development. In addition, interviewing senior leaders from conventional banks with Islamic finance subsidiaries (e.g., Standard Chartered, HSBC) can clarify industry attitudes towards the Canadian market and similarly engaging financial institutions in comparable jurisdictions (e.g., AlRayan Bank in the UK) may further by highlighting barriers faced by other financial institutions.

Building on the qualitative, phenomenological approach used in this study, future research could employ quantitative or mixed method designs to validate and extend the findings. Large-scale surveys could help quantify the frequency and relative importance of different barriers and longitudinal research may measure factors that changes over time. Studies could also examine the effects of new regulatory rules and initiatives on the supply of Islamic

finance. Such policy assessments could help determine which reforms or incentives are most effective in overcoming the supply side barriers.

Further investigations into the intersection of innovation barriers and issues of equity and inclusion are warranted. Studies could examine the role of leadership anti-bias initiatives and inclusive product design in enabling or constraining the growth of Islamic finance and other minority-oriented financial innovations. Finally, future research should examine the role of community engagement and co-design initiatives in shaping the supply of Islamic finance. Community-based studies can help identify effective strategies for building trust and ensuring product authenticity.

6.8 Final Reflections and Concluding Remarks

The findings of this study emphasise the multifaceted and deeply interconnected nature of the barriers that inhibit the development of Islamic finance within Canada's financial sector. Despite Canada's global reputation for financial stability and multiculturalism, the persistent underdevelopment of Islamic finance persists, thereby highlighting a critical disconnect between the country's values and the lived realities of many Canadians. This study has shown that the challenge is not merely one of market demand or technical feasibility but rather a complex interplay of knowledge gaps, organisational inertia, regulatory ambiguity, societal attitudes, and reputational concerns.

Addressing these barriers requires more than incremental adjustments or isolated initiatives. Instead, a holistic and coordinated approach is needed, which brings together financial institutions, policymakers, regulators, and community leaders. A shared commitment to fostering financial equity and inclusion is important. Building internal expertise, nurturing executive sponsorship, clarifying regulatory frameworks, and authentically engaging with Muslim communities are all essential steps to unlock the potential of Islamic finance in Canada.

At its core, this study is a call to action. The advancement of Islamic finance is not simply a matter of serving a growing demographic or capturing niche markets. Rather, it is a test of Canada's ability to deliver on its promise of inclusion and opportunity for all Canadians. By removing the systemic and institutional barriers that have stalled progress to date, Canada's financial sector can meet the needs of Muslim Canadians and set a global example for ethical and socially responsible finance.

In conclusion, although the obstacles seem significant, they are not insurmountable. With a strategic vision and collaborative leadership, not to mention a genuine commitment to

inclusion, Canada can transform its financial sector into one that truly reflects the diversity of its population. The journey towards inclusive innovation in Islamic finance is ongoing, but the path forward is now clearer. It is hoped that this research will serve as both a foundation and a catalyst for continued progress in this important area.

Appendix A: Interview Guide and Protocol

Research and Background Information

About Me

With over 25 years of experience in the financial services industry, I have dedicated my career to pioneering ethical and innovative solutions that meet diverse client needs. Currently, I lead one of Canada's first advisory practices specialising in ethical and Islamic finance, helping clients manage their assets in a manner that aligns with their values. My professional journey spans various industries, including equity research in the precious metals sector and leadership roles in the manufacturing, technology, and oil and gas sectors. Academically, I hold bachelor's degrees in engineering and computer science, an MBA, and a master's degree in business and management research. I also hold the Chartered Financial Analyst (CFA) and Professional Engineer (P. Eng.) designations.

What I'm Working On

I am pursuing a doctorate in ethical finance at Henley Business School, University of Reading, focusing on the following essential question:

"What are the barriers to innovation within conventional Canadian financial institutions, and how do barriers relate to supply side gaps and unmet market needs, particularly for Islamic finance?"

While Islamic finance is the focal point of my research, no prior knowledge of it is required to participate in the interviews I am requesting. I aim to understand the broader challenges that financial institutions face in developing and delivering innovative and niche solutions that serve untapped or emerging market segments.

Why This Research Matters

Canada is home to a diverse and growing population; however, its financial sector struggles to meet the needs of niche markets, such as those seeking non-conventional financial solutions. My research seeks to:

- Identify Barriers: Understand the internal and systemic obstacles to innovation within financial institutions.
- Drive Progress: Equip practitioners with actionable insights to address these barriers and explore new opportunities for improvement.
- Support Inclusivity: Foster a financial ecosystem that is more diverse, resilient, and ethically aligned with Canada's demographic makeup.

By engaging with industry leaders, this study has the potential to influence product development strategies, enhance market offerings, and create a more inclusive financial sector.

Why Your Participation Matters

Your insights as a leader in the financial sector are invaluable. By participating, you:

1. Shape the Future: Contribute to research that seeks to foster innovation and inclusivity in Canada's financial industry.

2. **Gain Recognition:** Be part of an initiative that positions you as a thought leader driving meaningful change.
3. **Access Insights:** Receive a summary of research findings that can inform your organisation's strategy and innovation efforts.
4. **Reflect and Grow:** Engage in discussions that provide a unique opportunity to evaluate and improve your organisation's practices.

Participation is entirely confidential. All responses will be anonymised, ensuring that neither you nor your firm will be identifiable in the research.

Let's Build the Future Together

By sharing your perspective, you can help uncover actionable strategies for overcoming barriers to innovation. Together, we can foster a more inclusive and competitive financial system that benefits institutions, underserved market segments, and the Canadian financial landscape as a whole.

Your expertise can help shape research that makes a real difference, one that informs industry practices and supports ethical and sustainable growth.

Khaled Sultan, P.Eng., CFA

Doctoral Researcher in Ethical Finance
Henley Business School, University of Reading (UK)
k.sultan@student.henley.ac.uk

Consent Form

1. I have read and had explained to me by Khaled Sultan the accompanying Information Sheet relating to the project on Barriers to Financial Innovation of Islamic Finance in Canada.
2. I have had explained to me the purposes of the project and what will be required of me. Any questions have been answered to my satisfaction. I agree to the arrangements described in the Information Sheet insofar as they relate to my participation.
3. I have had explained to me the information that will be collected about me, what it will be used for, who it may be shared with, how it will be kept safe, and my rights in relation to my personal data.
4. I understand that participation is entirely voluntary and that I have the right to withdraw from the project any time, without giving any reason, and that this will be without detriment.
5. I understand that the data collected from me in this study will be preserved and made available in anonymised form, so that they can be consulted and re-used by others.
6. I have received a copy of this Consent Form and of the accompanying Information Sheet.

Name:

Date of birth:

Signed:

Date:

Interview Questions

Title of Study:

Barriers to Financial Innovation of Islamic Finance in Canada

Invitation to Participate

You are invited to participate in a research study that seeks to explore the challenges and limitations that may affect the growth of Islamic finance innovations in Canada. Before you decide, it is important for you to understand why the research is being conducted and what it will involve. Please read the following information carefully. Please feel free to ask questions if anything is unclear or if you would like more information.

Purpose and Background of the Study

Innovation has significantly influenced the financial sector globally, introducing new products, services, and technologies tailored to meet various market demands. Islamic finance is a rapidly growing segment within this sector that offers a unique ethical framework grounded in Islamic principles. Despite its global expansion, the adoption and development of Islamic finance in Canada remain limited. This study aims to examine the supply side challenges that might explain this, focusing on the insights of professionals and executives within the financial industry.

Interview Questions

Part 1 - Identification

1. Name:
2. Email:
3. Phone:
4. Title:
5. Company:
6. Gender:
7. Year of Birth:
8. Ethnicity:
9. Religion/Faith:
10. Years of Experience:
11. Highest Academic Education Attained:
12. How many firms have you worked for since graduation:
13. Years of Experience in Innovation:
14. Years of International Experience (US or otherwise):
15. Years of Experience in the Muslim World:

Part 2 – Introduction

1. What projects are you currently working on or overseeing?
2. Which of your projects would you qualify as innovative as far as the firm is concerned?
3. How would you qualify those projects (radical, sustaining, disruptive, or incremental)?
{Use graphic when asking about the definition}
4. What enablers or barriers to innovation have you experienced?

5. To what extent would you identify the following as barriers to innovation that you experienced within your firm?
 - a. Lack of exploiting new ideas
 - b. Inertia caused by local systems architecture
 - c. Organisational structure (who ultimately makes those decisions)
 - d. Risk avoidance (appetite)
 - e. Absence of fundamental research and development
 - f. Not-invented-here syndrome

Part 3 – Islamic Finance

1. To what extent are you familiar/comfortable with it, and what does it mean to you?
2. Does your firm offer (or plan to offer) Islamic financial products or services?
3. What do you believe is currently preventing your firm from offering Islamic financial solutions?
4. What do you believe the enablers are for your firm to offer Islamic financial solutions?
5. Do you see Islamic finance as a form of innovation?
6. Which of the traditional enablers and barriers identified above do you feel relate to the introduction (or growth of) Islamic finance solutions within your firm?
 - a. Lack of exploiting new ideas
 - b. Inertia caused by local systems architecture
 - c. Organisational structure (who ultimately makes those decisions)
 - d. Risk avoidance (appetite)
 - e. Absence of fundamental research and development
 - f. Not-invented-here syndrome
7. Are there other barriers that you feel relate to the introduction of Islamic financial products and services with your firm?

Part 4 - Summary

1. Have all issues been addressed or do you want to add something?
2. Who would you think would be interested and interesting to talk to?

Thank you for your participation in this study.

Appendix B: Textural and Structural Descriptions

Below are samples individual textural and structural descriptions (i.e., what was and how was it experienced) as well as consolidated textural and structural descriptions of the entire sample.

R08 (Schedule I Bank)

Textural Description:

R08, a senior executive vice president responsible for retail products and payments, described a focus on incremental and sustaining innovation at the respondent's firm, particularly in digital experiences and segment-based strategies. The respondent emphasised the importance of aligning innovation with client needs and regulatory compliance. The respondent described various barriers to innovation including legacy technology, risk aversion, organisational complexity, and the need for clear business cases. Regarding Islamic finance, R08 noted past discussions he had regarding halal products at the firm but cited market size, legacy systems, and reputational concerns as the key barriers. The respondent also highlighted the challenge of aligning such products with the firm's broad client base and the potential for internal resistance owing to perceived complexity and risk.

Structural Description:

R08's experience was embedded within a large, process-driven organisation, where innovation required navigating multiple layers of approvals, not only from an operational basis, but also from a risk and compliance perspective. The firm's risk culture and focus on broad market appeal limited the pursuit of niche products, such as Islamic finance. The respondent's approach was pragmatic, balancing commercial opportunities with operational feasibility, while being cognisant of reputational considerations that would impact the organisation. The decision-making process at the respondent's firm was shaped by both internal priorities and external regulatory pressures.

R19 (Insurance Company)

Textural Description:

As a group head at a national insurance company, R19 had extensive experience in the financial industry, and specifically in product development and innovation at his firm. The respondent highlighted the impact of resource constraints and the need for client buy-in as key barriers to innovation. He described how alignment with the firm's existing distribution channels is required for innovation to flourish. R19 noted that the lack of clear market demand or internal firm knowledge were critical obstacles to Islamic finance. Project prioritisation has also prevented further exploration of this type of financial innovation. The respondent emphasised the importance of market research and product standardisation as key requirements for the development of Shariah-compliant solutions within the company.

Structural Description:

R19's experience was shaped by the complex and centralised structure of a large Canadian insurance company, where innovation was incremental and constrained by legacy technology and regulatory requirements, as well as perceived risks by key executives at the firm. The organisational structure required several approval layers. The approach to Islamic finance was pragmatic, and the respondent emphasised the need for clear business cases

and alignment with the firm's strategic priorities. Resource constraints and the need for client engagement were highlighted as persistent impediments to innovation in his space.

Composite Textural Description (What Was Experienced)

Across a sample of 22 participants from major Canadian banks, credit unions, boutiques, asset managers, and insurance providers, innovation and product development were described as a continuous and complex process. Participants experienced innovation as both a necessity and an opportunity, and was often driven by market demand, regulatory changes, competitive pressures, and, in some cases, social or community needs.

The barriers experienced were multifaceted and interlinked. The most salient factors included legacy technology systems, complex regulatory environments, resource constraints, risk aversion, and organisational inertia. Many also described the challenge of navigating large, hierarchical approval structures, with innovation requiring the buy-in of multiple stakeholders (risk, legal, compliance, IT, and business lines). For Islamic finance, additional barriers to the ones already described included uncertainties about market size, a lack of internal expertise in Islamic finance, internal resistance rooted in systemic bias or lack of understanding, as well as potential or perceived reputational risks. Participants also cited difficulties in the standardisation of Shariah compliance, the costs of certification, and the need for strong community partnerships as further impediments.

For those working directly in Islamic finance, the experience was often one of advocacy and bridge building. They described the introduction of Islamic finance as potentially disruptive, with several benefits if implemented, not the least of which being opening financial access to previously excluded communities. They also highlighted the need for persistent advocacy and coalition building for Islamic finance to proliferate in Canada.

Composite Structural Description (How It Was Experienced)

Participants' experiences were shaped by the context of their institutions, whether large, risk-averse banks, more nimble credit unions and boutique firms, or established asset-management and insurance companies. Within large financial institutions, innovation was experienced as a process that exists in the context of hierarchical structures, multiple layers of approval, and a culture that prioritised risk management and regulatory compliance over launching novel products. The journey from idea to implementation was often described as lengthy and typically requiring executive sponsorship in order to come about. The regulatory environment was often a constraint that slows or stifles the process, irrespective of firm size.

In boutiques and credit unions, the experience of innovation was more agile, given their typically flatter structures and greater openness to partnerships and community input. Here, innovation was more likely to be driven by direct client feedback and a culture that encouraged experimentation and rapid iterations.

The structural experience of barriers was one of the interconnected constraints. Legacy technology and existing systems meant that even small changes can be costly and time-consuming. Organisational inertia and the "way things have always been done" create resistance to change, especially for products perceived as new or niche. Resource allocation decisions were shaped by business case validation and the need to prioritise competing projects.

For Islamic finance specifically, the structural experience was further complicated by the need to satisfy both internal (institutional, regulatory, operational) and external (community, religious, reputational) requirements. Participants described a dual approval process, one by

the organisation, and the other from a religious perspective. The lack of standardisation and diversity of views within Muslim communities added further complexity, as did the need to build trust and credibility both internally and externally.

Despite these challenges, participants described potential benefits from the potential growth of Islamic finance in Canada. These include the opening new channels for conducting business, serving underbanked communities, and demonstrating the capacity of Canadian institutions to innovate in response to diverse client needs. The structural experience of innovation was thus one of navigating barriers and potentially redefining what was possible within the Canadian financial landscape.

In summary, the essence of the participants' experience with innovation and Islamic finance in Canadian financial institutions is one of creative adaptation within structural constraints. Success depends on leadership, openness, and the ability to bridge the highlighted institutional, regulatory, and community gaps. Barriers are persistent and interrelated but can be overcome through partnerships and clear alignment with client or community needs. The phenomenological "what" is a story of striving for progress and improvement. The "how" is a journey through complex and often conservative institutional landscapes.

Appendix C: Data Analysis Process Examples

Figure C 1: Example of the data analysis process (interview transcript)

Full interview transcript	
Researcher:	What do you believe is currently preventing [the firm] from offering Islamic financial solutions?
Respondent:	<p>So I think it is probably a multi-prong. One is over the years there's been a lot of dialogue about the size and scope of the segment. And so I understanding as you build these products, especially if I was in the US, I'd probably build a bank based on Islamic financing because the population's big enough.</p> <p>The problem with Canada, and you can see it, you see it in most banks. Actually the problem with Canada is we're 40 million people strong and call it about two thirds of that can be bankable. So let's say call it 30 million, we have multiple segments, but they don't go deep. And so when they don't go deep, what that results in is more vanilla offerings. And so it's hard to create offerings that are differentiated and or have more complexity to them because the scalability factor may not be there. That's why you see going back to the us, they can go into segments and you can see banks that are the banks of professionals. So you see City National that RBC has, they call it the bank of the, they have a segment thereafter and they bank a very particular client and they can build a whole bank on that one segment. In Canada, it's tougher because the segment's not deep enough.</p> <p>And so as you explore Islamic financing or other type of segment based products, the question is the segment big enough to create a customised solution on legacy technology? That's the other side of that, right? Because it's expensive to launch new products. To give you context, for me to launch a new credit card in [the firm], it costs 15 to \$20 million. Now let's talk about launching a new mortgage and a checking account or a savings account or investing or whatever. That makes it tough. And so when you think about hurling a business case, and if you even look at the new to Canada offerings of all the banks, where they differentiate is on policy where they'll say, Hey, I'll give you more credit or something of that nature because credit's easy to implement, they've just waived. Fees are new to Canada offering is we waive two years of fees. We waive one year of fees, and then they look for partners to extend the value prop. They actually get to some of those clients earlier. They might differentiate a little bit in language strategy. So you see that in ATMs because technology is able to be deployed there in an easy way or on the website. But now when you start touching the core systems, I'll call the guts of the bank where a credit card's processed or a mortgage is process. Let's say they're legacy systems, 50 years old, very expensive to touch. And that's what makes the hurdle rate very difficult from a business lens.</p>
Researcher:	I got it. So if I could summarise, the spend is known, or at least you can wrap your head around how much we would need to spend to offer a certain product. But given the depth of the market, you don't think you're going to get that return back for whatever innovation you want to do.
Respondent:	That's right. And so then that's where you start getting into, I've looked at partnerships in the space in the past too. We have looked at a couple of partners, I can't remember their names, to be transparent. And then when you start getting into the work around, and I apologise if I get this wrong, but the Shariah law elements of it, and then there's differing views from different providers on what's truly Islamic banking and would be bought by the consumer. And this is where I say education of whether my team or others, and I've had actually Islamic colleagues review these opportunities in the past and they say, I don't think a lot of people would actually believe this is an Islamic bank offering. So that also then starts hurtling in terms of looking at partners because there's nuances in everything. And I remember, I think there was one partner at one point where, this is a few years ago, so where they were claiming that they had the endorsement of a particular bank in Saudi Arabia, if I remember correctly...And then you've got your lawyers going, okay, we don't know how this works. And then unfortunately, there's sometimes a situation where, there was one gentleman, and...unfortunately, got taken to court for [fraud]. And then you get into reputational risk, right? It's like...we can't partner with him. So this is the risk aversion, the barriers to entry in the space both from capabilities in terms of knowledge of how it works or how to endorse it properly to how you're going to actually enable it on your systems...There was a regulatory question in the past or whether we'd be allowed to do it under [existing regulations]...There was just so many barriers. And then you tie that against what's the size of the prize and the size of the prize is relatively small considering the barriers...
Researcher:	This is very insightful. Thank you very much for that.

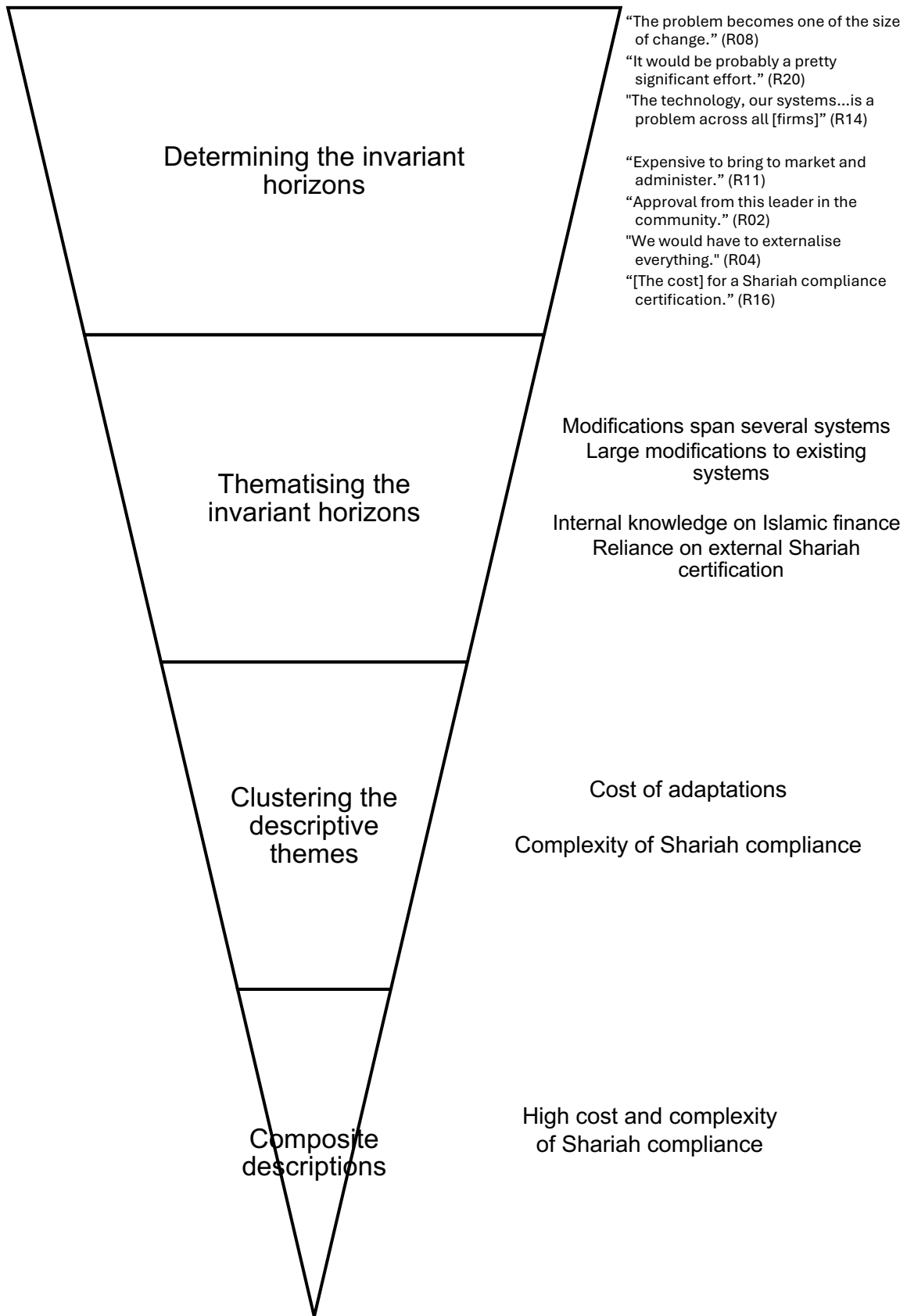
Figure C 2: Example of the data analysis process (horizon identification)

Horizons: capturing all statements that may be relevant for the analysis	
Researcher:	What do you believe is currently preventing [the firm] from offering Islamic financial solutions?
Respondent:	<p>So I think it is probably a multi-prong. One is over the years there's been a lot of dialogue about the size and scope of the segment. And so I understand as you build these products, especially if I was in the US, I'd probably build a bank based on Islamic financing because the population's big enough.</p> <p>The problem with Canada, and you can see it, you see it in most banks. Actually the problem with Canada is we're 40 million people strong and call it about two thirds of that can be bankable. So let's say call it 30 million, we have multiple segments, but they don't go deep. And so when they don't go deep, what that results in is more vanilla offerings. And so it's hard to create offerings that are differentiated and or have more complexity to them because the scalability factor may not be there. That's why you see going back to the us, they can go into segments and you can see banks that are the banks of professionals. So you see City National that RBC has, they call it the bank of the, they have a segment thereafter and they bank a very particular client and they can build a whole bank on that one segment. In Canada, it's tougher because the segment's not deep enough.</p> <p>And so as you explore Islamic financing or other type of segment based products, the question is the segment big enough to create a customised solution on legacy technology? That's the other side of that, right? Because it's expensive to launch new products. To give you context, for me to launch a new credit card in [the firm], it costs 15 to \$20 million. Now let's talk about launching a new mortgage and a checking account or a savings account or investing or whatever. That makes it tough. And so when you think about hurling a business case, and if you even look at the new to Canada offerings of all the banks, where they differentiate is on policy where they'll say, Hey, I'll give you more credit or something of that nature because credit's easy to implement, they've just waived. Fees are new to Canada offering is we waive two years of fees. We waive one year of fees, and then they look for partners to extend the value prop. They actually get to some of those clients earlier. They might differentiate a little bit in language strategy. So you see that in ATMs because technology is able to be deployed there in an easy way or on the website. But now when you start touching the core systems, I'll call the guts of the bank where a credit card's processed or a mortgage is process. Let's say they're legacy systems, 50 years old, very expensive to touch. And that's what makes the hurdle rate very difficult from a business lens.</p>
Researcher:	I got it. So if I could summarise, the spend is known, or at least you can wrap your head around how much we would need to spend to offer a certain product. But given the depth of the market, you don't think you're going to get that return back for whatever innovation you want to do.
Respondent:	<p>That's right. And so then that's where you start getting into, I've looked at partnerships in the space in the past too. We have looked at a couple of partners, I can't remember their names, to be transparent. And then when you start getting into the work around, and I apologise if I get this wrong, but the Shariah law elements of it, and then there's differing views from different providers on what's truly Islamic banking and would be bought by the consumer. And this is where I say education of whether my team or others, and I've had actually Islamic colleagues review these opportunities in the past and they say, I don't think a lot of people would actually believe this is an Islamic bank offering. So that also then starts hurtling in terms of looking at partners because there's nuances in everything. And I remember, I think there was one partner at one point where, this is a few years ago, so where they were claiming that they had the endorsement of a particular bank in Saudi Arabia, if I remember correctly... And then you've got your lawyers going, okay, we don't know how this works. And then unfortunately, there's sometimes a situation where, there was one gentleman, and... unfortunately, got taken to court for [fraud]. And then you get into reputational risk, right? It's like... we can't partner with him. So this is the risk aversion, the barriers to entry in the space both from capabilities in terms of knowledge of how it works or how to endorse it properly to how you're going to actually enable it on your systems... There was a regulatory question in the past or whether we'd be allowed to do it under [existing regulations]... There was just so many barriers. And then you tie that against what's the size of the prize and the size of the prize is relatively small considering the barriers. And so every time you're prioritising, it falls to the bottom of the list...</p>
Researcher:	This is very insightful. Thank you very much for that.

Figure C 3: Example of the data analysis process (invariant horizons)

Reductions and Invariant Horizons: reduction of the experiences to the invariant constituents	
Researcher:	What do you believe is currently preventing [the firm] from offering Islamic financial solutions?
Respondent:	<p>So I think it is probably a multi-prong. One is over the years there's been a lot of dialogue about the size and scope of the segment. And so I understanding as you build these products, especially if I was in the US, I'd probably build a bank based on Islamic financing because the population's big enough.</p> <p>The problem with Canada, and you can see it, you see it in most banks. Actually the problem with Canada is we're 40 million people strong and call it about two thirds of that can be bankable. So let's say call it 30 million, we have multiple segments, but they don't go deep. And so when they don't go deep, what that results in is more vanilla offerings. And so it's hard to create offerings that are differentiated and or have more complexity to them because the scalability factor may not be there. That's why you see going back to the us, they can go into segments and you can see banks that are the banks of professionals. So you see City National that RBC has, they call it the bank of the, they have a segment thereafter and they bank a very particular client and they can build a whole bank on that one segment. In Canada, it's tougher because the segment's not deep enough.</p> <p>And so as you explore Islamic financing or other type of segment based products, the question is the segment big enough to create a customised solution on legacy technology? That's the other side of that, right? Because it's expensive to launch new products. To give you context, for me to launch a new credit card in [the firm], it costs 15 to \$20 million. Now let's talk about launching a new mortgage and a checking account or a savings account or investing or whatever. That makes it tough. And so when you think about hurling a business case, and if you even look at the new to Canada offerings of all the banks, where they differentiate is on policy where they'll say, Hey, I'll give you more credit or something of that nature because credit's easy to implement, they've just waived. Fees are new to Canada offering is we waive two years of fees. We waive one year of fees, and then they look for partners to extend the value prop. They actually get to some of those clients earlier. They might differentiate a little bit in language strategy. So you see that in ATMs because technology is able to be deployed there in an easy way or on the website. But now when you start touching the core systems, I'll call the guts of the bank where a credit card's processed or a mortgage is process. Let's say they're legacy systems, 50 years old, very expensive to touch. And that's what makes the hurdle rate very difficult from a business lens.</p>
Researcher:	I got it. So if I could summarise, the spend is known, or at least you can wrap your head around how much we would need to spend to offer a certain product. But given the depth of the market, you don't think you're going to get that return back for whatever innovation you want to do.
Respondent:	<p>That's right. And so then that's where you start getting into, I've looked at partnerships in the space in the past too. We have looked at a couple of partners, I can't remember their names, to be transparent. And then when you start getting into the work around, and I apologise if I get this wrong, but the Shariah law elements of it, and then there's differing views from different providers on what's truly Islamic banking and would be bought by the consumer. And this is where I say education of whether my team or others, and I've had actually Islamic colleagues review these opportunities in the past and they say, I don't think a lot of people would actually believe this is an Islamic bank offering. So that also then starts hurtling in terms of looking at partners because there's nuances in everything. And I remember, I think there was one partner at one point where, this is a few years ago, so where they were claiming that they had the endorsement of a particular bank in Saudi Arabia, if I remember correctly...And then you've got your lawyers going, okay, we don't know how this works. And then unfortunately, there's sometimes a situation where, there was one gentleman, and...unfortunately, got taken to court for [fraud]. And then you get into reputational risk, right? It's like...we can't partner with him. So this is the risk aversion, the barriers to entry in the space both from capabilities in terms of knowledge of how it works or how to endorse it properly to how you're going to actually enable it on your systems...There was a regulatory question in the past or whether we'd be allowed to do it under [existing regulations]...There was just so many barriers. And then you tie that against what's the size of the prize and the size of the prize is relatively small considering the barriers. And so every time you're prioritising, it falls to the bottom of the list...</p>
Researcher:	This is very insightful. Thank you very much for that.

Figure C 4: Illustrative thematic analysis of sample interview data



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