

Regulatory Framework for Islamic Banking in Fiji

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Abstract

Several regulatory frameworks are available in the literature for the adoption of Islamic banking and financing options (IBFOs) in other countries. However, there is limited literature providing a regulatory framework for the adoptability of IBFOs in a Pacific Island nation such as Fiji. A study on Fiji is important because it is a developing island nation with a multi-religious population and currently only offers conventional financing. Furthermore, Micro, Small and Medium Enterprises (MSMEs) continue to experience financing challenges. Therefore, the purpose of this study is to suggest a regulatory framework to guide and support the adoption of IBFOs for financing of MSMEs in Fiji. This study adopts an integrative literature review incorporating comparative, descriptive, and critical review techniques. The findings reveal that IBFOs can be accommodated within Fiji's existing legal and institutional framework through the inclusion and adaptation of key legislative and institutional instruments. However, revisions to existing legislation, the introduction of new legislation, the establishment of statutory bodies, and the creation of a specialized court or tribunal may be required. This study concludes that IBFOs do not need to rely on an entirely separate legal regime. Instead, they can be integrated within an existing conventional regulatory framework, provided that the recommended reforms are implemented. The proposed framework may also inform other countries seeking to introduce or strengthen the adoption of IBFOs, since it is grounded in a comparative analysis of international regulatory frameworks.

Keywords: Fiji, Integrative Literature Review, Islamic Banking and Financing Options, Regulatory Framework.

Introduction

Islamic banking offers an alternative financing model based on risk-sharing, asset-backed transactions and the prohibition of interest (riba). Equity-based contracts such as Musharakah and Mudarabah enable financial institutions and entrepreneurs to share risks and returns, while asset-based instruments such as Murabaha, Ijara, Salam and Istisna link financing to tangible assets and productive economic activities. These characteristics can enhance financial inclusion and improve access to finance particularly for Micro, Small and Medium Enterprises (MSMEs) which often encounter difficulties obtaining conventional finance due to collateral requirements and interest-based lending practices (1, 2).

A regulatory framework provides legal, institutional, and governance structures required to regulate and supervise financial innovations. For Islamic Banking and Financing Options (IBFOs), such a framework is essential because Islamic finance operates through both debt-based and equity-based mechanisms with distinct legal,

operational, governance, and risk management requirements. An effective regulatory framework ensures that IBFOs comply with Shariah principles while maintaining financial stability, protecting stakeholders, and supporting sustainable financial sector development (3).

Countries have adopted different regulatory approaches to integrate IBFOs according to their legal systems and economic priorities. Malaysia has established a comprehensive Islamic finance framework supported by dedicated legislation, centralized Shariah governance, and specialized regulatory institutions (4-6). In contrast, Bangladesh has incorporated Islamic finance by adapting existing conventional banking and taxation laws rather than introducing entirely separate legal systems (7). These international experiences demonstrate that successful Islamic banking depends not only on the availability of Shariah-compliant products but also on supportive legal, regulatory, and institutional environments. Previous studies further highlight the role of

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Islamic finance in promoting entrepreneurship, financial inclusion, and economic development through improved financing opportunities for underserved businesses (8). Fiji currently does not offer IBFOs and operates only under a conventional banking system despite persistent financing challenges experienced by MSMEs. Access to finance remains constrained by strict collateral requirements, interest-based lending and comprehensive credit assessment procedures. Many MSMEs lack sufficient assets, formal credit histories and financial capacity to satisfy conventional lending requirements, limiting business expansion and economic growth (9-12). There are substantial literatures on positive attitude of MSMEs towards Islamic finance (13). These findings suggest potential demand for Islamic finance but raise important questions on whether Fiji's current legal framework can accommodate Islamic banking or whether legislative reforms and additional regulatory institutions are required.

Although extensive research has examined Islamic banking regulatory frameworks in countries such as Malaysia, Indonesia, Bangladesh, Tanzania, Mauritius, Singapore and Pakistan, limited attention has been given to jurisdictions where Islamic banking has not yet been introduced, particularly Small Island Developing States (SIDS). Existing studies primarily evaluate established Islamic banking systems rather than developing regulatory frameworks for new adopters. Consequently, no comprehensive regulatory framework currently exists for Fiji or other Pacific Island countries. Furthermore, previous studies have not systematically evaluated Fiji's legislation against international Islamic banking practices to identify which laws can support Islamic finance, which ones require amendment and what governance arrangements are necessary. This gap limits evidence-based policy guidance for regulators and policymakers considering the introduction of Islamic banking.

To address this gap, this study develops a comprehensive regulatory framework for adopting Islamic banking and financing options in Fiji using an integrative literature review supported by comparative, descriptive, and critical analyses. The study evaluates international Islamic banking regulatory models alongside Fiji's legal and institutional environment to identify the legislative

amendments, regulatory requirements, and governance mechanisms necessary for implementation. Unlike previous studies that mainly describe existing Islamic banking systems, this research proposes a practical regulatory framework specifically designed for Fiji's legal, economic, and institutional context as a developing Small Island Developing State.

This study contributes to Islamic finance literature and regulatory practice in several important ways. First, it presents the first comprehensive regulatory framework for implementing Islamic banking in Fiji, addressing the limited scholarship on Islamic finance within SIDS. Second, it demonstrates that Islamic banking can be integrated into Fiji's existing conventional financial system through targeted legislative amendments rather than establishing an entirely separate legal framework. Third, it broadens the scope of Islamic banking regulatory literature by examining not only the Banking Act, Reserve Bank of Fiji Act, Companies Act and Income Tax Act, but also the Financial Transactions Reporting Act, National Payment System Act and Consumer Credit Act. In addition, the study proposes complementary governance mechanisms, including a national Shariah Advisory Board, professional accounting oversight, and specialized dispute resolution mechanisms to support effective implementation (14-20).

This study aims to provide practical guidance for policymakers, regulators, and financial institutions seeking to introduce Islamic banking while ensuring financial stability, regulatory certainty, and effective governance. It addresses three research questions:

- (a) to what extent Fiji's existing regulatory framework can accommodate Islamic banking and financing options;
- (b) which legislation requires amendment and what additional laws and institutions are necessary; and
- (c) what comprehensive regulatory framework can guide the implementation and governance of Islamic banking for MSMEs in Fiji.

By addressing these questions, the study contributes to Islamic finance scholarship and provides a practical regulatory model for Fiji and other developing island economies seeking to integrate Islamic banking within conventional financial systems.

Methodology

This study adopts an integrative literature review methodology to develop a regulatory framework for the adoption of IBFOs in Fiji. An integrative literature review is appropriate because it enables the synthesis of diverse forms of evidence, including empirical studies, conceptual literature, legislation, regulatory policies and institutional reports to generate new theoretical perspectives and practical frameworks. Unlike a systematic literature review, which primarily focuses on answering narrowly defined research questions through rigorous appraisal of empirical studies or a scoping review, which aims to map the breadth of existing literature, an integrative literature review allows the critical integration of multiple sources of evidence to address complex policy and regulatory issues. Accordingly, this review combines academic literature with legislative and

regulatory documents to examine international Islamic banking regulatory frameworks and assess their applicability to Fiji. The review was conducted in seven stages, as illustrated in Figure 1.

In Stage 1, relevant literature was identified through structured searches of Google Scholar, Scopus, Web of Science, Emerald Insight, and ScienceDirect using search terms including "Islamic banking regulation," "Islamic finance framework," "Islamic banking legislation," and "regulatory framework for Islamic finance." Official government websites were also searched to obtain legislation and regulatory documents while the reference lists of relevant studies were examined to identify additional sources. Duplicate records identified across the databases were removed before the screening process to ensure that each publication was considered only once.

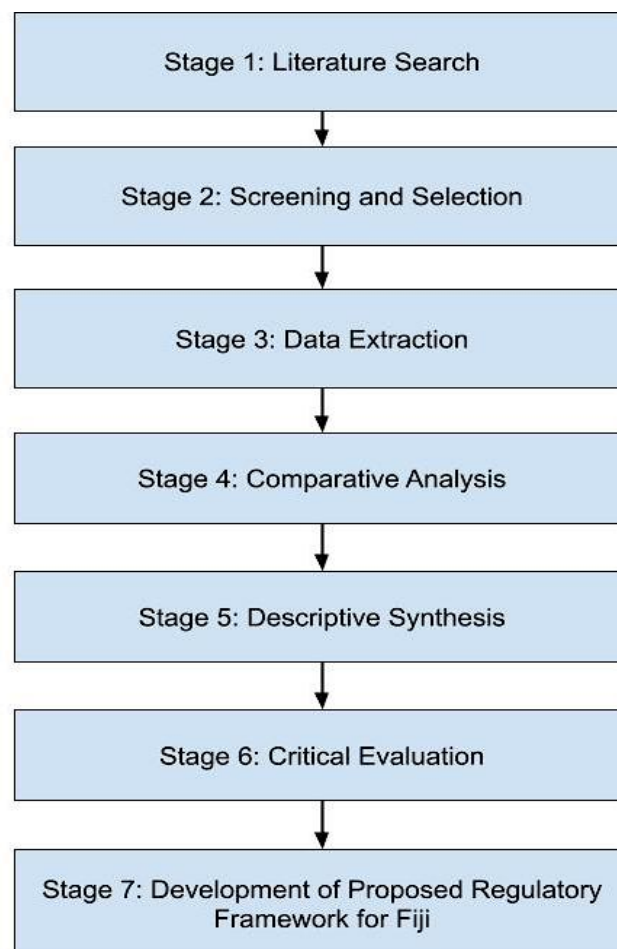


Figure 1: Displaying Three Tier Methodological Approach

In Stage 2, explicit inclusion and exclusion criteria were applied. Studies were included if they examined Islamic banking regulation, legal

frameworks, governance structures, or comparative regulatory systems relevant to Islamic finance. Legislative and institutional documents governing

conventional banking in Fiji were also included. Studies unrelated to Islamic banking regulation, duplicate publications, conference abstracts without full texts, or publications lacking relevance to the research objectives were excluded. Because this study adopted an integrative literature review methodology, the included literature was assessed primarily for its relevance, credibility and contribution to the research objectives rather than through a formal quality appraisal checklist. Priority was given to peer-reviewed journal articles, government legislation, regulatory publications, and authoritative institutional reports to ensure the dependability of the evidence included in the review.

In Stages 3 to 7, the selected literature was synthesized using complementary review techniques. Comparative analysis was undertaken

to compare international regulatory frameworks as presented in Table 1 (21, 22). Descriptive analysis was used to explain the functions of Fiji's existing legislation and critical analysis evaluated the extent to which Fiji's current regulatory framework could accommodate Islamic banking (23, 24). The findings from these analyses were then integrated to develop a comprehensive regulatory framework tailored to the Fijian context. This methodology is appropriate because it synthesizes diverse evidence into a practical regulatory framework capable of informing policymakers, regulators, and financial institutions considering the adoption of Islamic banking in Fiji.

Table 1: Presenting Cross Country Comparison of Regulatory Framework for Banking and Financing

Legislations	Fiji	Saudi Arabia	Malaysia	Tanzania	Indonesia	Bangladesh	Mauritius	Singapore	Pakistan
Islamic Banking Act			Islamic Banking Act 1983						
Banking and Financial Institutions Act	Banking Act		Banking and Financial Institutions Act 1989			Financial Institutions Act 1993			
Central Bank Act	Central Bank Act	Banking Control Law	Central Bank Act 2009		Banking Act		Banking Act 2007		
Islamic Financial Services Act			Islamic Financial Services Act 2013					International Standard for Islamic Banking and Finance	
Central Sharia Advisory Council				Central Sharia Advisory Council					Central Shariah Advisory Committee
Sharia Advisory Council/Board	Shariah Advisory Board			Sharia Advisory Council	Islamic Financial Services Board		Sharia Advisory board	Shariah Advisory Board	Shariah Boards
Accounting and Auditing Organization for Islamic Banks	Fiji Institute of Chartered Accountants				Accounting and Auditing Organization for Islamic Banks		Islamic Financial Services Board Accounting and Auditing		
Monetary Authority								Monetary Authority of Singapore	
Banking and Finance Shariah Court	Specialized Court or Tribunal							Banking and Finance Shariah court	

Bank Companies Act	Companies Act					Bank Companies Act 1991			
Securities and Exchange Commission Act	Financial Transactions Reporting Act	Capital Market Law				Securities and Exchange Commission Act 1993			
	National Payment System Act								
Consumer Credit Act	Consumer Credit Act								
Income Tax Ordinance	Income Tax Act					Income Tax Ordinance 1984			
References	Relevant Acts	Relevant Acts	Relevant Acts	Relevant Acts	Relevant Acts	Relevant Acts	(25)	(26)	(27)

Results

A regulatory framework for Islamic Banks (IBs) comprises the laws, regulations and institutions governing the adoption and operation of IBFOs to ensure they are in accordance with the Islamic principles. Three regulatory approaches to Islamic banking exist: fully Islamic, dual, and neutral. A fully Islamic regulatory framework includes legislation which only support the adoption of IBFOs and prohibit those that offer Conventional Banking Financing Options (CBFOs). However, in a dual system, conventional finance can function along with Islamic finance. This approach is suitable for countries with sizeable Muslim populations or religiously diverse societies. While

a dual system can increase market share for IBs, a neutral system maintains an unbiased attitude and does not favor Islamic finance. Fiji, as a country, has a mixture of different religions. Consequently, this study proposes a dual financial system comprising both conventional and Islamic financing. As presented in Table 2, the suggested regulations are Banking Act, Reserve Bank Act, Companies Act, Income Tax Act, Financial Transactions Reporting Act, National Payment System Act, Consumer Credit Act, while the governing bodies are Shariah Advisory Board, Specialized Court or Tribunal and Fiji Institute of Chartered Accountants (FICA).

Table 2: Presenting Relevant Laws, Regulations and Governing Bodies Applicable for the Adoption of IBFOs for Financing of MSMEs in Fiji

Regulatory Component	Existing in Fiji	Applicable to IBFOs	Modification Required	Proposed Action
Banking Act	Yes	Partial	High	Amend to permit h-based financing (Mudarabah, Musharakah) and asset-based financing (Murabaha, Ijara, Salam, Istisna)
Reserve Bank Act	Yes	Partial	Moderate	Recognize IBs and establish Shariah oversight mechanisms
Financial Transactions Reporting Act	Yes	Yes	Low	Expand definitions to explicitly include Islamic financial products
National Payment System Act	Yes	Yes	Low	Recognize Islamic payment instruments and fintech services
Companies Act	Yes	Partial	Moderate	Allow mandatory Shariah Advisory Board and Shariah governance provisions
Consumer Credit Act	Yes	Partial	High	Recognize equity-based financing arrangements as lawful financing options
Income Tax Act	Yes	Partial	Moderate	Ensure tax neutrality and avoid double taxation of Islamic transactions
Shariah Advisory Board	No	Essential	New Institution	Establish national Shariah Advisory Board

Specialized Court/Tribunal	No	Desirable	New Institution	Establish Islamic finance dispute resolution mechanism
Fiji Institute of Chartered Accountants	Yes	Essential	Moderate	Develop accounting and auditing guidance for IBFOs

Banking Act

While Malaysia has a separate Islamic Banking Act for IBs, Indonesia, Bangladesh and Mauritius have Acts that are used for conventional banks. In Fiji, the Banking Act defines banking business as any other activity which the Reserve Bank of Fiji (RBF) recognizes as a customary banking practice. However, Banking Act does not permit a bank or Financial Institution (FI) to become a shareholder in their customers' business, except if that is the only method to acquire their outstanding debts. Thus, Banking Act does not clearly permit the adoption of equity-based Financing Options (FOs) as legal FOs for banks and FIs in Fiji. Furthermore, Banking Act does not permit FIs to purchase, acquire or lease real property, except if it is necessary for the purpose of conducting their business. Therefore, considering the limitations of Banking Act, there is a need to revise the Banking Act to permit banks and FIs to offer equity and debt-based IBFOs such as Murabaha, Mudarabah, Musharakah, Ijara, Istisna and Salam in Fiji.

Reserve Bank Act

The Central Bank of Malaysia Act was amended to formally institutionalize the dual financial system and to establish the Shariah Advisory Council as being the highest authority on Shariah matters in Islamic finance to enable smooth adoption of IBFOs and any issues relating to Islamic finance. Similarly, to facilitate the introduction and regulation of Islamic banking in Fiji, Reserve Bank Act could be amended to formally recognize non-interest-based FIs and authorize RBF to develop and implement Shariah-compliant monetary instruments, such as profit-sharing investment accounts (28). Drawing further on the Malaysian experience, the Reserve Bank Act could empower RBF to establish a national Shariah advisory council to guide regulatory and supervisory decisions and to ensure consistency in Shariah interpretation across IBs (29). Furthermore, while maintaining operational independence, RBF may also need enhanced technical and supervisory capacity to oversee risk-sharing contracts, such as Musharakah and Mudarabah, which differ fundamentally from conventional credit-based

instruments (30, 31). Overall, the existing the Reserve Bank Act provides a workable foundation but requires expansion beyond interest-centric monetary control to effectively support a dual financial system.

Financial Transactions Reporting Act

Existing literature does not include any Financial Transactions Reporting Act or similar acts for regulation of IBFOs. The Financial Transactions Reporting Act is largely compatible with Islamic banking principles since it promotes transparency, accountability, and the prevention of financial crime which align well with Shariah objectives (32). The Financial Transactions Reporting Act could therefore explicitly recognize Shariah-compliant financial institutions and products within its definitions to avoid ambiguity by MSMEs. Furthermore, collaboration between Financial Intelligence Unit and Shariah experts could ensure effective compliance without undermining Islamic financial practices (33). Hence, the Financial Transactions Reporting Act requires procedural clarification.

National Payment System Act

Current literature does not include any National Payment System Act in the regulatory framework of IBFOs. In Fiji, the National Payment System Act could consider IBs to ensure their seamless integration into the national payment ecosystem by MSMEs. Regulatory standards could be adopted to ensure that payment settlement processes by MSMEs do not involve interest-based arrangements. Thus, the National Payment System Act could offer a highly enabling platform for IBFOs, particularly in supporting digital Islamic banking, fintech solutions, and mobile-based Shariah-compliant payment services (34). To fully support Islamic finance, the National Payment System Act could incorporate provisions that recognize Islamic payment instruments, including zakat, waqf, and Islamic microfinance disbursement channels (35). Overall, only minor amendments are required, making the National Payment System Act as one of the most readily adaptable frameworks for adoption of Islamic banking by MSMEs in Fiji.

Companies Act

In Bangladesh, all IBs are established as companies limited by shares and regulated by the country's Companies Act. The IBs are required to have Articles of Association (AOA) which must include clauses that their operations will not involve interest and the bank must include a Shariah Advisory Board. In Fiji, while the Companies Act provides a flexible corporate structure suitable for IBs, it lacks explicit recognition of Shariah governance requirements. Accordingly, Fiji's Companies Act could be amended to require companies offering Islamic financial services to establish a Shariah Advisory Board and recognize profit-and-loss sharing arrangements from IBFOs. Furthermore, directors' duties could be expanded to include Shariah compliance obligations while enhancing governance and stakeholder confidence (36). While Companies Act is modern and facilitative, targeted modifications could ensure legal certainty and investor protection in Islamic finance transactions.

Consumer Credit Act

Current literature does not suggest any Consumer Credit Act or similar in the regulatory framework of IBs. In Fiji, at present, the Consumer Credit Act only recognizes interest-based arrangements, sale contracts, consumer leases, and hire-purchase agreements as lawful FOs. This narrow scope excludes equity-based financing arrangements, creating a regulatory gap for alternative and participatory forms of finance. Although the Fijian Partnership Act provides a legal basis for investors and entrepreneurs to share profits and losses, such arrangements are treated primarily as business partnerships rather than as recognized financing mechanisms (37). Consequently, equity-based FOs from IBFOs are not regulated as routine financing activities, limiting their accessibility and consumer protection. The authors therefore argue for an amendment to Consumer Credit Act, to formally recognize equity-based IBFOs as standard financing options. Such recognition could allow financiers and MSMEs to enter into flexible financing agreements in which ownership shares can be adjusted over time, without the need for a formal partnership structure. Instead, these arrangements could be governed by simplified financing contracts tailored to equity-based transactions. Importantly, the legal recognition of equity-based financing options could enhance

regulatory oversight, reduce the risk of fraud and provide greater protection and confidence for consumers engaging in these financing arrangements.

Shariah Advisory Board

Countries such as Tanzania, Bangladesh, Singapore, and Pakistan have Shariah Advisory Board (SAB) or councils in their regulatory framework for IBFOs. The expansion of Islamic financial products has increased the need for SABs to ensure the products follow Shariah principles. Similarly, for Fiji, Companies Act could be modified to permit the adoption of supervisory or SAB to ensure that transactions are carried out ethically and in accordance with Shariah requirements, while eliminating fraud. The SAB could comprise of a panel of academics or experts in Islamic finance, experienced banking and financing advisors, auditors and any other important personnel. Their role could be to review and endorse the compliance of IBFOs adopted by the FIs, simultaneously upholding the integrity and credibility of the financial system. While Fiji can experience the challenge of getting experts in Islamic banking, persistently SAB can play an important role to ensure greater transparency, disclosures, strong legal and regulatory framework.

Specialized Court or Tribunal

Singapore includes a banking and finance Shariah court in the regulatory framework of their IBs. Fiji can similarly establish a specialized court or tribunal dedicated exclusively to IBFO-related matters. It can be comparable to the models adopted in a specialized dispute resolution mechanism. During the initial implementation phase, legal disputes may arise as many MSMEs may have difficulty in understanding IBFOs due to the risks associated with IBFOs. Thus, a specialized court or tribunal could facilitate faster and more streamlined adjudication while enhancing legal certainty and ultimately strengthen confidence in the adoption and use of IBFOs. Such a tribunal could facilitate efficient dispute resolution and protect the interests of both the financiers and MSMEs.

Fiji Institute of Chartered Accountants

Indonesia and Mauritius have Accounting and Auditing Organization for IBs (AAOIBs) and Islamic Financial Services Board Accounting and Auditing respectively. Similarly, Fiji Institute of Chartered

Accountants (FICA), which oversees the code of conduct for accountants, could collaborate with FIs to provide clear guidance on the appropriate recognition and classification of IBFOs in the financial statements. The underlying reason for this is, while debt FOs from IBFOs can be easily recognized in the financial statements of FIs, uncertainty remains regarding the appropriate accounting treatment of equity-based financing. While equity FOs can be seen as investments, they are also expected to be returned by consumers gradually. Therefore, equity FOs entail the qualities of both equity and debt financial instruments. This dual characteristic creates ambiguity regarding the appropriate financial statement recognition of equity-based IBFOs. Conversely, AAOIBs was created to ensure specific accounting standards exist to guide the adoption of IBFOs in financial statements (38). Thus, regular and robust auditing practices can help ensure that such financial statements of FIs are free from material misstatements and accounting bias.

Income Tax Act

Bangladesh has Income Tax Ordinance and Stamp Duty Land tax for the regulatory framework of IBFOs in their countries. Some amendments were made in Bangladesh's Income Tax Ordinance which permitted recognizing the profit shared between investment clients and the Islamic banks under equity financing as expenditure. In Fiji, the Fiji Revenue and Customs Service could review and revise the existing taxation policies to provide appropriate tax incentives or relief to users of IBFOs. These incentives may include allowing MSMEs to claim refunds or credits for value added tax (VAT) paid on IBFO-related transactions, thereby avoiding double taxation, promoting tax neutrality and supporting the adoption of IBFOs in Fiji. While such measures may reduce government revenue, they may also provide relief and confidence to the MSMEs in adopting these financing options.

Discussion

The findings demonstrate that IBFOs can be integrated into Fiji through a dual regulatory framework that accommodates both conventional and Islamic finance, rather than establishing a separate legal system. This finding is consistent with previous studies showing that countries such as Bangladesh, Indonesia, Mauritius and Tanzania

have successfully incorporated Islamic finance by adapting existing conventional legal and regulatory frameworks rather than replacing them entirely (4-8, 25-27). In contrast, Malaysia has adopted a comprehensive regulatory framework supported by dedicated Islamic banking legislation and centralized Shariah governance (5, 29). These international experiences suggest that successful Islamic finance depends on an appropriate regulatory environment rather than a single regulatory model.

The proposed legislative amendments to the Banking Act, Reserve Bank Act, Companies Act, Income Tax Act, Financial Transactions Reporting Act, National Payment System Act, and Consumer Credit Act extend previous studies by demonstrating that Fiji's existing legal framework provides a suitable foundation for Islamic finance but requires targeted reforms. Earlier studies primarily focused on banking legislation and Shariah governance (3-8), whereas this study broadens the regulatory perspective by incorporating payment systems, consumer protection, financial reporting, anti-money laundering legislation, and taxation. This broader approach provides a more comprehensive regulatory framework suited to Fiji's institutional environment.

The recommendation to establish a national Shariah Advisory Board is also supported by international evidence. Centralized Shariah governance has been shown to enhance consistency in Shariah interpretation, strengthen regulatory certainty, and improve stakeholder confidence in Islamic financial institutions (5, 27, 29). Likewise, the proposed role of the Fiji Institute of Chartered Accountants in developing accounting and auditing guidance is consistent with recommendations emphasizing standardized accounting and disclosure practices to improve transparency, comparability, and public confidence in Islamic financial reporting (38). These governance mechanisms become particularly important in jurisdictions such as Fiji where Islamic finance has not previously operated.

The findings further emphasize the importance of modern financial infrastructure. Incorporating the National Payment System Act and Financial Transactions Reporting Act into the proposed framework reflects the increasing significance of digital payment systems, fintech innovation,

financial transparency, and anti-money laundering compliance in contemporary Islamic finance. Previous studies similarly highlight that effective regulatory oversight, transparent reporting, and secure digital payment systems are essential for maintaining Shariah compliance while supporting financial innovation (32-35). Consequently, the proposed framework extends beyond traditional banking regulation by integrating emerging regulatory requirements relevant to digital financial services.

This study makes several significant contributions to literature on Islamic finance and to regulatory practice. First, it develops what is presented as the first comprehensive regulatory framework for the implementation of Islamic banking in Fiji, thereby addressing an important gap in the limited body of research on Islamic finance in SIDS. Second, the study establishes that Islamic banking can be accommodated within Fiji's existing conventional financial system through targeted legislative reforms, without the need to create an entirely separate regulatory framework. Third, it extends the existing literature on Islamic banking regulation by considering a broader range of legislation, including the Banking Act, Reserve Bank of Fiji Act, Companies Act, Income Tax Act, Financial Transactions Reporting Act, National Payment System Act, and Consumer Credit Act. Furthermore, the study recommends complementary institutional and governance arrangements, such as the establishment of a national SAB, enhanced professional accounting oversight, and specialized mechanisms for resolving disputes, to facilitate the effective and sustainable implementation of Islamic banking in Fiji (14-20). The findings have important practical implications for policymakers, regulators, financial institutions, and professional bodies. The proposed framework provides a roadmap for introducing Islamic banking through gradual legislative reform supported by institutional capacity building, Shariah governance, accounting guidance, and specialized dispute resolution mechanisms. These recommendations are consistent with international regulatory experiences that identify legal certainty, effective governance, regulatory flexibility, and institutional capacity as fundamental determinants of successful Islamic banking implementation (3-8, 25-29). Accordingly, the framework may also serve as a useful reference for

other Small Island Developing States seeking to diversify their financial systems through Islamic banking and financing options.

Conclusion

This study concludes that IBFOs can be integrated into Fiji's existing regulatory framework through targeted legislative amendments and complementary institutional arrangements rather than a separate legal system. Existing legislation, including the Banking Act, Reserve Bank Act, Companies Act and Income Tax Act, provides a strong legal foundation while additional laws such as the Financial Transactions Reporting Act, National Payment System Act, and Consumer Credit Act, together with institutions including a shariah advisory board, FICA, and a specialized court or tribunal, can strengthen governance, compliance, transparency and consumer protection. This study makes a significant contribution by proposing the first comprehensive regulatory framework for Islamic banking adoption in Fiji and demonstrates that IBFOs can operate effectively within a conventional financial system through appropriate legal and institutional reforms.

The study has several limitations. As an integrative literature review, it relies on secondary sources and the proposed framework has not been empirically validated. The framework is also specific to Fiji's legal and institutional context limiting its direct applicability elsewhere. In addition, the study focuses primarily on regulatory issues and does not examine operational readiness and implementation costs. Future research can empirically evaluate the proposed framework through interviews, focus groups and surveys involving key stakeholders such as regulators, policymakers, financial institutions, Shariah scholars, legal practitioners, accountants and MSMEs. Comparative studies across Fiji and other SIDS together with longitudinal research could assess the framework's transferability and effectiveness. Further studies can also examine operational readiness, digital financial infrastructure and broader economic and social impacts of IBFOs on financial inclusion, MSME development, employment, poverty reduction, and sustainable development in Fiji and other SIDS.

Abbreviations

None.

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Author Contributions

Jazbeen Ali: Introduction, Methodology, Results, Discussion, Conclusion, Shalendra Satish Kumar: Introduction, Results, Vishwa Hamendra Prasad: Discussion, Review, Razeen Ali: Discussion, Review. All four authors have reviewed the final manuscript.

Conflict of Interest

The authors do not have any conflict of interest to declare.

Data Availability

Not applicable since secondary data (literature reviews) are conducted.

Declaration of Artificial Intelligence (AI) Assistance

The authors acknowledge the use of ChatGPT (Version 5.5) for language editing, improving manuscript clarity and preparing Table 2. However, it is solely based on information provided by the authors. All intellectual content, research design, data analysis, interpretation, and conclusions were developed exclusively by the authors, who take full responsibility for the manuscript.

Ethics Approval

Not required as the study did not include any human or animal subjects.

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