



## The Promotion of Financial Transparency and Accountability in Digital Islamic by Using Sharia Compliance in Metaverse

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### Abstract

Due to the development in the digital technology more options for financial responsibility and transparency are provided by Islamic banking system. The attempt of this research is to investigate methods for the advancement of financial accountability and transparency in the realm of digital Islamic finance by concentrating on Sharia compliance in the metaverse. To accomplish this goal, data was gathered using basic random sampling from 300 participants in the digital Islamic finance domain, including representatives from Islamic banks, financial institutions, and regulatory agencies. For the analysis, SmartPLS 3 used a standardized questionnaire that was informed by pertinent academic publications was used, to gather information on several fronts. These include not only user experiences with digital platforms, but also perspectives on financial accountability and transparency, demographics, with adherence to Sharia law. This will yield important insights into the state of financial operations in the digital Islamic banking industry today and clarify how Sharia compliance upholds accountability and openness. By analyzing these elements, this study provided useful recommendations and try to find to advance knowledge of digital Islamic finance to professionals to enhance financial processes in the metaverse.

### Introduction

Transparency is a very important topic in banking law and research that is most frequently discussed. A key element of bank regulation is banks' openness to the future of their high-risk loans (Andrievskaya & Semenova, 2016; Demertzis & Hallett, 2007). Enhancing transparency to enable different users to track banks risks more accurately is a crucial aspect of Basel III. This regulatory framework was implemented in the wake of the 2008 financial crisis. Following the global financial crisis of 2008, there was a significant shift in the focus of financial regulation from market efficiency and competition concerns to prudential issues of economic stability and organizational risk management. This shift in transparency and accountability was evident. Shariah compliance usually refers to following Shariah, or Islamic law (Chen & Hasan, 2006). This term has been used to describe a broad range of financial and non-financial goods and services, including as food production, banking services, consumer staples, stocks, and other financial instruments. To guarantee Shariah compliance and Shariah assurance for Islamic Financial Institutions (IFI), especially Islamic banks (IB), the Shariah committee is essential. The Shariah committee is accountable for disclosing instances of Shariah indifference within the organization in addition to executing an oversight function and handling all Shariah-related conflicts on behalf of the IB. A superior Shariah committee report (SCR) has the potential to improve the business environment and increase trust in financial reporting.

Customers of accounts payable are reassured by this that information about Shariah matters is recorded, appropriately measured, and presented honestly. As the metaverse takes center stage in the ever-evolving financial scenery, it is fundamentally altering understanding of and involvement in economic reporting and transactions In Islamic finance, where following Sharia law is essential, this change is particularly significant.

Since Facebook officially transformed its name to Meta in modern years, the term "metaverse" has become common. Although the metaverse is still in their early stages, interest in and investment into these realms has grown. Given the current unavailability of Islamic finance frameworks for the metaverses, this poses a significant barrier for financial investors and participants who are concerned on Shariah compliance. Technologies like virtual reality (VR) and augmented reality (AR) are combined to create the metaverse (Nevelsteen, 2018; Van Kerrebroeck, Brengman, & Willems, 2017). This creates a collaborative, immersive, and interactive virtual 3D world. The concept is that these distinct dimensions might be able to interact with one another and link in various contexts all around the globe. This can apply to gaming, but it additionally applies to real estate, business dealings, and other relevant settings.

The metaverse is a technologically accessible digital realm. It appears that a number of global brands have incorporated the virtual metaverse into their operations, hence creating business

prospects. To fully realize the potential of the metaverse, however, a number of holes in the Shariah finance space now exist and must be filled. The potential for financial innovation and inclusiveness in the metaverse presents a significant opportunity for the Shariah finance sector to undergo a revolution (Amin & Isa, 2008; Fianto, Gan, Hu, & Roudaki, 2018; Yaumidin, Suhodo, Yuniarti, & Hidayatina, 2017). The topic of whether the Metaverse constitutes holy or halal arises when examining transactions governed by sharia law and economics. The Metaverse is a three-dimensional reality that humanity has successfully found via modern scientific and technological advancements. The lack of Islamic financing frameworks for the metaverses makes it challenging for investors and other Islamic financial participants to understand how Shariah would approach them. Virtual worlds, augmented realities, and cryptocurrencies all raise concerns about social relationships, morality, and lawful financial transactions. Shariah law emphasizes the need to abstain from Munkar's behaviors and promote moral behavior. Efficiency, accessibility, openness, and security are just a few of the areas where technology use in Islamic banking and society has the potential to improve. It is essential to make sure that its usage is limited by ethical and social concerns to use it in a way that is consistent with Islamic values and beliefs. Generally speaking, as these technologies advance, it will become more important to carefully assess how they may affect Islamic values and principles and to adopt appropriate regulations to ensure that their use complies with Shariah law.

E-Islamic money emerges as a new concept, arriving in a period of change and posing unique challenges to the conventional methods of economic coverage in the metaverse. The term "Islamic fintech" describes innovative economic solutions and services that adhere to Shariah-based Islamic financing principles. Certain financial transactions and activities are prohibited under Shariah-compliant finance, including the collection or distribution of interest rates (RIBA), participation in excessive obscurity (GHARAR), and risky business endeavors (MAISIR). Analyzing recent advances like blockchain technology, decentralized autonomous organizations, and smart contracts requires reviewing how they align with Islamic ethical principles. This digital financial world necessitates accountability, fairness, and transparency (M. H. Ali, Sadq, & Ibrahim, 2019; Bandsuch, Pate, & Thies, 2008; Castanho et al., 2019; TI-M, 2011; Xiao, He, Li, Antoce, & Zhang, 2017). The perspective of metaverse transactions and the ijarah contract are similar, according to metaverse analysis. Paying with crypto currency and NFTs in the Metaverse may pose significant risks for society due to their unknown value. These transactions involve gharar, which, according to Islamic law, should be avoided as they are speculative and do not result in benefits. Economists, particularly those specializing in Islamic law, can now conduct a more comprehensive examination of the Metaverse by using it as a setting for virtual social interaction. The purchase of items using NFTs and

Crypto19 in a virtual world makes the Metaverse feel real, as it is different from previous experiences. Prior to this, the only forms of money in Islam for trade were banknotes, dinar (gold), and dirham (silver). The development of electronic currency transactions has a clear impact on users nowadays. Figure 1 shows the framework of this study.

## Literature Review

Various previous studies on quantitative analysis focused on Islamic banks in order to examine the linkages between Sharia compliance (H. Ali et al., 2018; Mahdzan, Zainudin, & Au, 2017; Setiawan, 2019; Wulandari, Putri, Kassim, & Sulung, 2016), UX, technology adoption, financial transparency, and accountability within the context of Islamic banking. Information was acquired from 272 participants who were employed by Jordan's operating Islamic banks on demographics, technological adoption, user experience, financial transparency, accountability, and cultural sensitivity using a standardized questionnaire given to middle and high management levels. The study evaluated validity, reliability, and the proposed associations using partial least squares structural equation modeling (SEM-PLS). The findings showed a strong correlation between the factors, emphasizing how crucial cultural sensitivity is in determining financial behaviors. Overall, the study highlights how important it is to contest traditional values with technology acceptance in order to advance financial accountability and transparency in e-Islamic banking stages, especially in the context of Jordan. A research project on the Shariah accountability policies of Islamic banks was carried out in Bahrain and Malaysia. The SCR content using document analysis and evaluation approached was compared against laws and regulations it comporments an in-depth examination of the Shariah Committee Report (SCR) disclosure policies utilized by Islamic banking institutions (IBs). The findings indicate that Islamic banking from Malaysia provide significantly less information than those from Bahrain. Enhancing SCR disclosure regulations help in strengthen Shariah accountability and transparency in the governance of Islamic banks (Al-rabei, Taber, Alaryan, & Haija, 2015; M. Ali & Raza, 2017).

The use of digital currencies and Shariah's concerns on the treatment of digital exchanges as investment goods are analyzed in this literature which discovers concerns of equity and manipulation in developing and unregulated markets, emphasizing the role that moral conduct plays in Islamic finance. Additionally, it explore Shariah concerns related of technology, emphasizing how these technologies affect other matters. The analysis also examines Shariah issues with Non-Fungible Tokens (NFTs), specifically about ownership, representation, and pricing uncertainty. To secure the moral use of modern technology by Islamic principles, it ends by promoting the creation of Shariah-compliant legislation and regulations, highlighting cooperation between Islamic scholars, technical specialists, and industrial stakeholders. This

comprehensive qualitative case study conducted in 2019 to investigate how financial regulation affects risk management at Banque de Montagne, a sizable Swedish-listed bank. By using a longitudinal, process-oriented approach for recording modifications in organizations in response to regulatory influence. This research specifically aims to investigate the effects of the Swedish Financial Regulation FFFS 2014:1, which implements the Guidelines on Internal Governance (GL 44) of the European Banking Authority, on the bank's risk organization using the three lines of defense model of internal control. According to FFFS 2014:1, banks must restructure risk control roles, procedures, and structures by dividing the internal risk organization's operational risk and compliance responsibilities. The research finds relevant data by analyzing 41 interviews, more than 2100 pages of internal and external documents, and more than 200 hours of observations from 2015 to 2017. This study set out to find out how the prudential regulation of the financial sector influences the risk control and governance practices of large, complex regulated organizations with an emphasis on transparency and responsibility. The implementation of FFFS 2014:1 has led to a rise in intra- and inter organizational accountability systems; yet, as this study shows, barriers to efficient transparency persist in both intra- and inter-organizational settings.

A new framework for offering Shariah-compliant financing in the metaverse was developed in 2020 as a result of a study that outlined the difficulties and considerations involved in developing financing options that adhere to Shariah in the metaverse. The framework ensures that both the contracts and crypto payments are Shariah-compliant and supporting in the metaverse by adapting traditional Islamic financing choices, such as Sukuk and Murabaha, to the metaverse. The framework guides in establishing funds in the metaverse that adhere to Shariah laws. The metaverse which is a virtual world in which people and businesses can interact has grown to be of utmost

significance in recent years. Even though the metaverses has not grown fully but still curiosity in and investment into these realms has grown this poses a significant barrier for financial investors and participants who are concerned on Shariah compliance. This study gives new structure that provide funding, considering all problem and changes that must be made complied with shariah for metaverse. The study conducted in 2019 is carried out at pesantren in South Sumatra for which in-depth interview was done to gather study data. Transcendental phenomenology is used in this study's analysis of qualitative data. Three themes emerged from the research: transparency, trust, and amanah, which were the experiences of the research informants. Three key findings are revealed by this study: First, from the viewpoint of the pesantren manager, accountability includes being accountable to God, the pesantren's owner, students, and donors. Financial recording and reporting is the second way that financial accountability is put into practice. Third, openness among pesantren administrators is a key component of transparency in comprehending them. A study conducted in 2020 to investigate the effect that perceptions of accountability and transparency have on trust and the intention to make cash waqf donations in Islamic microfinance institutions. In order to gather the necessary data from 303 waqif (those who donate cash waqf) at BMT and another Nazhir waqf around the Indonesian island of Java, this study used a survey in the form of a questionnaire. Additionally, the data were examined in two stages the measurement models and the structural models using the Structural Equation Model-Partial Least Square (SEM-PLS). The data analysis results showed that trust of customer is considerably impacted by the sense of transparency. Moreover, it was revealed that in Islamic investment, the degree of belief had a positive effect on cash waqf (Raimi, Patel, & Adelopo, 2014; Shinsuke, 2014).

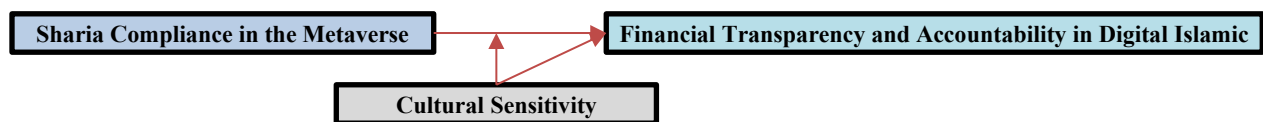


Figure 1: Conceptual Framework of the Study.

### Hypotheses Development

Previous studies conducted in 2019 to investigate the relationship of new technologies and shariah law to address the Metaverse, which includes virtual reality (VR) and augmented reality (AR). To make sure new technology is accordance with shariah law. This study estimates the holiness of Sharia commercial agreements in the Metaverse using comparative descriptive methodologies and a qualitative inquiry method. A revision on the topic of block chain technology's part in advancing liability and transparency in digital Islamic finance was conducted in 2019. Block chain innovation can be leveraged to make every trade transparent and Sharia-compliant. The paper highlights how public blockchain

interactions facilitate inspections of compliance and ensure transparent and accountable financial activities. In the metaverse, where digital dealings can get complex, thus transparency is crucial. The report offers a thoughtful evaluation of blockchain applications in Islamic finance, emphasizing benefits and difficulties with the use of qualitative analysis. The research discusses how blockchain technology could improve transparency and trust, using smart Sukuk as an example. The study highlights blockchain's public nature, discusses topics such as the blockchain's effect on the environment and the digital creation of Sharia law. The study concludes that while blockchain promotes openness, careful design is necessary to ensure Sharia compliance.

The Indonesian Waqf Board and the United Nations Development Programme (UNDP) have developed kitawakaf.com, a blockchain-based platform for Waqf. This ensuring that donations are noticeable and translucent, hence increasing public belief and ensured the correct use of funding for social development programs (UNDP). The scheme entailed working with the Indonesian Waqf Board to develop a block chain-based Waqf platform. This ensure the traceability and clearness of Waqf donations giving transparency in the funding collection help in commercial and public development initiatives.

**Hypothesis (H1):** *Shaira Compliance in the Metaverse have positive influence on financial transparency and accountability in digital Islamic industry.*

In recent era digital Islamic has develop association in financial transparency (Hasan, Hassan, & Aliyu, 2020) and accountability with Sharia compliance in metaverse which help to improve Islamic banking. For example, it has been found that customer trust and bank performance has increased when Sharia-compliant microfinance firms have more openness and transparency making a strong financial system. The authentic use of Cash Waqf Linked Sukuk (CWLS) through funding in Indonesia is investigated in literature. According to this, CWLS can have impact in a way that is compliance with Sharia law. This approach improves accountability with obedience to Islamic rules. According to research studies, internal control systems (ICS) (Fakhimuddin, 2018) and their importance has a significant impact on financial sustainability it enhances operational value and adherence to important regulations which ensure that financial performance is supportable. This shows how crucial it is to promote financial transparency ensuring Sharia compliance in the metaverse. By using digital technology and new advancement Islamic banks may guarantee sustained growth while enhancing their performance.

**Hypothesis (H2):** *Culture sensitivity has positive effect on shaira compliance in metaverse financial transparency and accountability in digital Islamic industry.*

In the advance world of Islamic finance, application of modern technologies presents both opportunities and challenges like cultural sensitivity as significant impact on financial transparency and accountability inn metaverse. Inside the framework of Islamic finance looks into the relationship between risk, resilience, and shariah compliance highlighting the need to align financial tasks with ethical standards. Data from 2,160 corporations across six regions was taken to investigate the effects of Shariah compliance on legal risk and resilience. It finds that Shariah-compliant firms exhibit reduced risk levels and stronger resilience, based on post-hoc testing, statistical significance, and magnitude estimations, the findings indicate that these impacts are stronger during the US subprime crisis (2007–2010). Additional research further demonstrates that local socio-cultural and religious norms have an impact on these outcomes. Similar results are obtained via robustness tests and using dynamic panel system GMM (DPS-GMM)

estimation. The research sheds light on how Shariah compliance influences aspects of business operations that go beyond ordinary success measures.

This study intends to fill the gap in the existing research on Shariah finance by investigating how Islamic principles in particular, Ijarah can be integrated into the metaverse's dynamic environment. It looks at the wider development of the metaverse and its incorporation into global business identity in addition to evaluating how Shariah-based leasing can be modified to new metaverse technology. The study provides policymakers and practitioners with significant help in navigating the convergence of Islamic finance principles and virtual environments by addressing these topics and adding new insights to the literature on both Shariah finance and metaverse. As a result of the introduction of virtual firms and the rise of the metaverse, banking has been affected. The literature highlights how cultural sensitivity influence the Sharia compliance in the metaverse, in the context of digital Islamic finance. As technology continues to develop these problem need to be addressed and tackled by industry stakeholders in a respectful and authentic way by values essential for Islamic banking according to shariah law.

**Hypothesis (H3):** *Moderation effect of Cultural Sensitivity has positive effect on Digital Islamic in Sharia Compliance in the Metaverse.*

## Methodology

To investigate how Sharia compliance can be used to promote financial transparency and accountability in digital Islamic finance within the metaverse, the current study used a cross-sectional research approach. In accordance with the population, sampling strategies, and research aims, a quantitative approach is used. With an emphasis on comprehending the methods by which Sharia rules are applied in the metaverse, the study explores the connections amongst Sharia compliance, financial transparency, and accountability. The author reviewed a lot of literature utilizing academic databases like Google Scholar. Key concepts, frameworks, and earlier studies on digital Islamic finance, accountability, transparency in finance, and the metaverse is outlined in this review. The research questions and hypotheses are developed based on the literature review.

Data from participants in digital Islamic finance, such as representatives of Islamic banks, financial institutions, and regulatory agencies, were gathered through standardized questionnaire developed based on relevant literature. The survey encompasses several different areas, including digital platform user experiences, views on financial accountability and transparency, and compliance to Sharia law. A sample size of 500 is chosen, as this is seen to be suitable for inferential statistical analysis. As per the series, "samples smaller than 50 are found to be weaker; samples larger than 100 will also be weak; 200 samples are thought to be adequate; 300 samples are thought to be good; 500 samples are very good, and 1000

samples are excellent." Consequently, a sample size of 500 was chosen (Basheer, Hafeez, Hassan, & Haroon, 2018). To make sure the sample is representative, simple random sampling were employed. Managerial staff members of companies engaged in exploring the possibilities of the metaverse and digital Islamic finance are among the target groups. The author acquired the list of possible responders from business directories. From this list, participants were chosen at random, guaranteeing that those chosen have direct experience with risk management and audit procedures in their respective companies. In this research, the author focused on all digital Islamic banks. The process of collecting data includes providing the participants with a structured questionnaire and making sure that all information about the study is voluntary, data confidentiality and ethical issues are understood. On a Likert scale 7 points, participants assess their answers and provide their opinions on a range of topics, ranging from 1 (Strongly disagree) to 7 (Strongly agree) about Sharia compliance and digital Islamic banking.

500 Participants who are involved in metaverse and digital Islamic were chosen using random sampling making sure each member have chances to be chosen lessening sampling bias.

They receive questionnaire by emails. The email guaranteed respondent confidentiality outlined the purpose of the study in detail and clarified that the data would only be utilized for academic research. Reminder emails were sent to non-respondents twice to increase the response rate. Out of 500 distributed questionnaires, 170 completed responses were anticipated to be retrieved based on previous response rates in relevant studies (Basheer et al., 2018). Statistical analytic approaches such as Partial Least Squares Structural Equation Modeling (SEM-PLS) were widely utilized for evaluating the reliability and quality of the collected data.

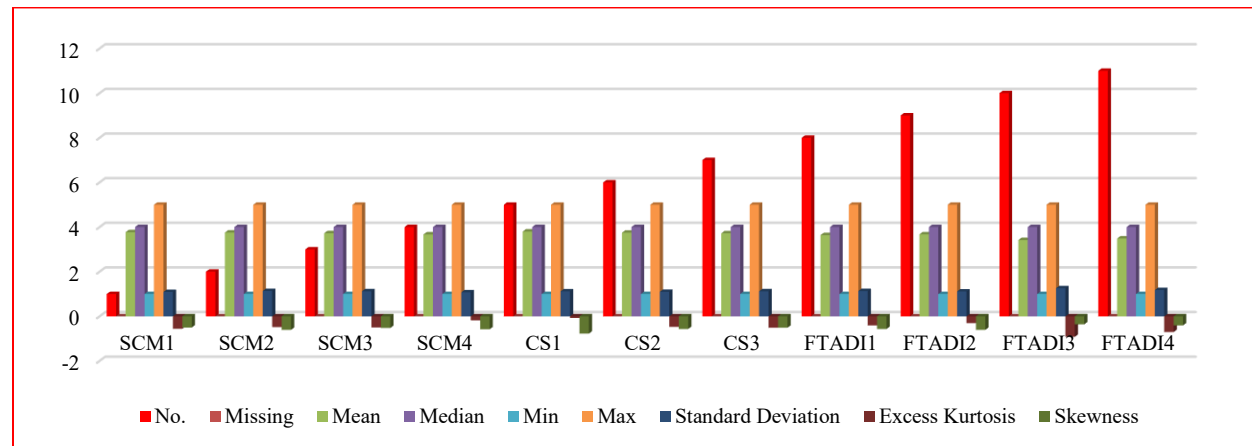
### Data Analysis

This research investigated the relationship between financial transparency and accountability, culture sensitivity and sharia compliance in the Islamic digital in metaverse. Table 1 and Figure 2 is data statistic which shows the values of missing, mean, median, minimum, maximum, standard deviation, excess kurtosis and skewness which are essential for data summarization and understanding dataset features.

**Table 1:** Data Statistics.

	No.	Missing	Mean	Median	Min	Max	Standard Deviation	Excess Kurtosis	Skewness
SCM1	1	0	3.768	4	1	5	1.089	-0.557	-0.502
SCM2	2	0	3.752	4	1	5	1.135	-0.485	-0.605
SCM3	3	0	3.724	4	1	5	1.12	-0.498	-0.522
SCM4	4	0	3.669	4	1	5	1.073	-0.178	-0.581
CS1	5	0	3.799	4	1	5	1.117	-0.073	-0.774
CS2	6	0	3.748	4	1	5	1.097	-0.471	-0.566
CS3	7	0	3.72	4	1	5	1.121	-0.511	-0.511
FTADI1	8	0	3.638	4	1	5	1.131	-0.406	-0.568
FTADI2	9	0	3.673	4	1	5	1.112	-0.306	-0.607
FTADI3	10	0	3.417	4	1	5	1.258	-0.921	-0.361
FTADI4	11	0	3.488	4	1	5	1.176	-0.705	-0.409

**Note:** SCM = Shaira Compliance in Metaverse; CS = Cultural Sensitivity; FTADI = Financial Transparency and Accountability in Digital Islamic Industry.



**Figure 2:** Data Statistics (Missing Value, Outlier, Mean, Median, Normality).

**Note:** SCM = Shaira Compliance in Metaverse; CS = Cultural Sensitivity; FTADI = Financial Transparency and Accountability in Digital Islamic Industry.

### Measurement Model

Measurement model indicate: factor loading, composite reliability (CR), average variance extracted (AVE), convergent

validity and discriminant validity (Hair Jr, Howard, & Nitzl, 2020; Kock, 2015; Streukens & Leroi-Werelds, 2016). Generally speaking, factor loading should be more than 0.40.



Figure 3 shows the connections among "Culture Sensitivity," "Sharia compliance in the Metaverse," and "Financial Transparency and Accountability in Digital Islamic Finance." The factor loading for the "Sharia compliance in Metaverse," which are SCM1: 0.787, SCM2: 0.798, SCM3: 0.820 and SCM4: 0.794, are all over the 0.7 criterion, indicating that these items are likely to be accurate indicators of the construct. "Culture Sensitivity" (CS1: 0.783, CS2: 0.841, CS3: 0.798) and

"Financial Transparency and Accountability in Digital Islamic" (FTADI1: 0.784, FTADI2: 0.791, FTADI3: 0.712, FTADI4: 0.710) has strong factor loading are also seen in these items indicating construct. These findings demonstrate that the items precisely measure the long for constructs, hence supporting measurement model's convergent validity. Factor loading is reported in Table 2. In Figure 3 the measurement model depicts the results.

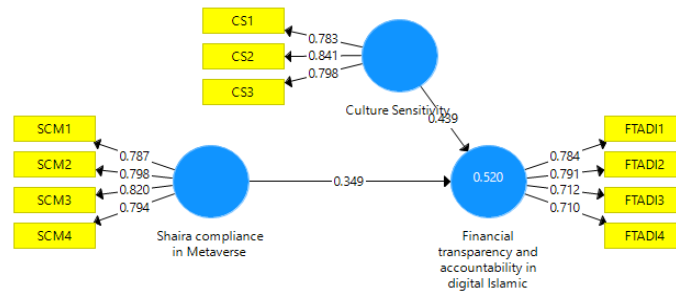


Figure 3: Measurement Model Assessment.

Note: SCM = Shaira Compliance in Metaverse; CS = Cultural Sensitivity; FTADI = Financial Transparency and Accountability in Digital Islamic Industry.

Table 2: Factor Loadings.

	Culture Sensitivity	Financial Transparency and Accountability in Digital Islamic	Shaira Compliance in Metaverse
CS1	0.783		
CS2	0.841		
CS3	0.798		
FTADI1		0.784	
FTADI2		0.791	
FTADI3		0.712	
FTADI4		0.71	
SCM1			0.787
SCM2			0.798
SCM3			0.82
SCM4			0.794

Note: SCM = Shaira Compliance in Metaverse; CS = Cultural Sensitivity; FTADI = Financial Transparency and Accountability in Digital Islamic Industry.

Additional proof of the validity and reliability of the constructs as shown in Table 3. Good internal consistency that is indicated by Cronbach's alpha values that are all above 0.7 for the "Financial Transparency and Accountability in Digital Islamic" (0.745), "Culture Sensitivity" (0.733), and "Shaira Compliance in Metaverse" (0.812). The constructs' responsibility is further confirmed by the high composite reliability (CR) values (Culture Sensitivity: 0.849, Financial Transparency and Accountability in Digital Islamic: 0.837,

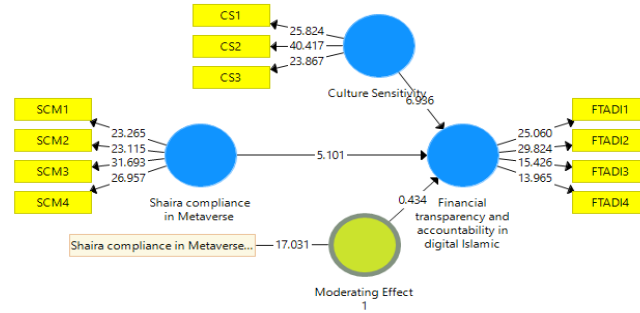
Shaira Compliance in Metaverse: 0.877). Since the latent construct explains for more than half of the variation in the items, the average variance extracted (AVE) values for each construct are significantly more than 0.5, suggesting strong convergent validity. Table 3 highlighted the Alpha is more than 0.7, CR is more than 0.8 and AVE is also more than 0.5 for all constructs. This shows that furthermore, model external consistency was determined with the help of discriminant validity which is given in Table 4 by using AVE square root.

Table 3: Alpha, CR and AVE.

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Culture Sensitivity	0.733	0.735	0.849	0.653
Financial transparency and accountability in digital Islamic	0.745	0.757	0.837	0.563
Shaira compliance in Metaverse	0.812	0.814	0.877	0.64

Table 4: Discriminant Validity.

	Culture Sensitivity	Financial Transparency and Accountability in Digital Islamic	Shaira Compliance in Metaverse
Culture Sensitivity	0.808		
Financial transparency and accountability in digital Islamic	0.673	0.75	
Shaira compliance in Metaverse	0.671	0.644	0.8

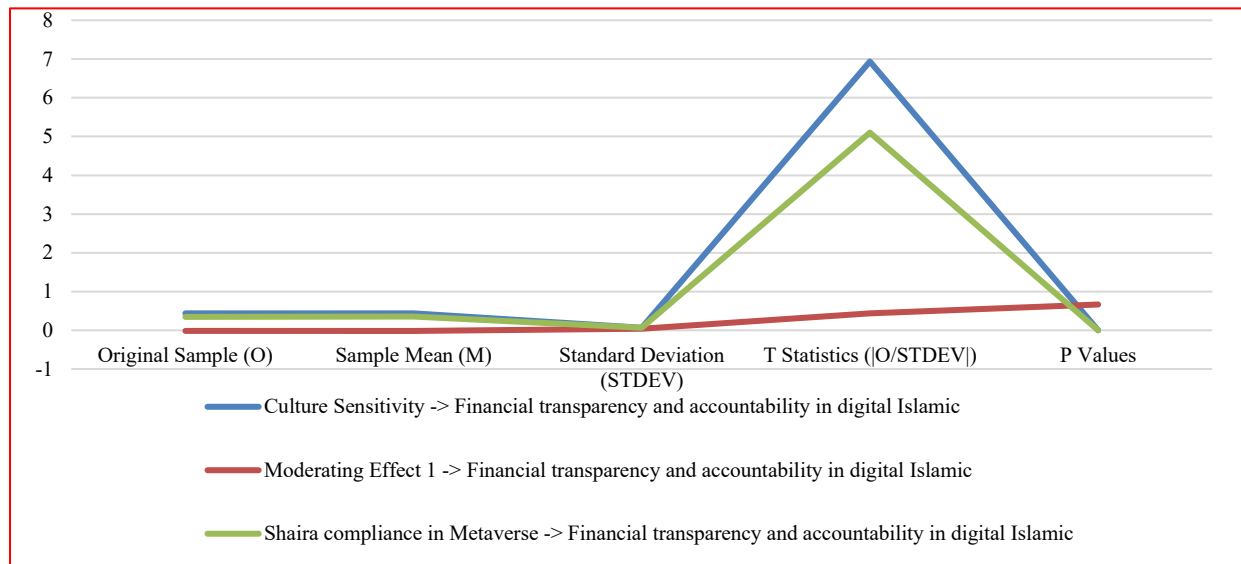


**Figure 4:** Structural Model Assessment.

**Note:** SCM = Shaira Compliance in Metaverse: CS = Cultural Sensitivity: FTADI = Financial Transparency and Accountability in Digital Islamic Industry.

**Table 5:** Results.

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Culture Sensitivity -> Financial transparency and accountability in digital Islamic	0.437	0.436	0.063	6.936	0
Moderating Effect 1 -> Financial transparency and accountability in digital Islamic	-0.016	-0.014	0.037	0.434	0.665
Shaira compliance in Metaverse -> Financial transparency and accountability in digital Islamic	0.347	0.355	0.068	5.101	0



**Figure 5:** Path Coefficient Results.

Table 5 is obtained from Smart PLS which displays the results of mediation analysis. P-value and t-value are significant which mean that the mediation effect is significant. In the current study, it is found that variables for culture sensitivity have a statistically relationship with financial transparency and accountability in digital Islamic ( $6.936 > 1.96$ ), hence this study do not reject Hypothesis 1. While the variable for Moderating Effect and Financial transparency and accountability in digital Islamic have no significant t or p value indicating the rejection of hypothesis 2, while the Shaira compliance in Metaverse and Financial transparency and accountability in digital Islamic have shown statistical relationship indicating the acceptance of hypothesis 3. Moreover, structural model is illustrated in Figure 4 while Path

coefficient results are in Figure 5.

## Discussion

This result show that the financial transparency and accountability in digital Islamic banks have positively impact sharia compliance in metaverse as indicated previous literature. This highlights the essential use of sharia principle to build a confident and promoting digital finance system. It has demonstrated that use of sharia compliance in metaverse greatly improve accountability and digital transparency. These results are highlighting the value of sharia principles as directed in old literature for example are research conducted in show the blockchain technology can help Islamic finance in accountability and transparency and when it lines which sharia

compliance it help in make transactions more publicly accessible and traceable. Other research talk about how fintech and blockchain may support Sharia principles and raise the legitimacy and dependability of digital Islamic banking.

The positive impact of cultural sensitivity on Sharia compliance which improves financial responsibility and transparency brings a new viewpoint to the discussion and found that cultural sensitivity has a significant impact on user experience and perceptions of financial transparency in digital Islamic banking within the metaverse. This highlights how crucial it is to consider cultural considerations while implementing Sharia-compliant financial solutions. Cultural sensitivity directly impact the Sharia compliance and its effects on financial transparency and accountability, according to the research. This suggests that the of Sharia compliance benefits in fostering accountability and openness in situations involving cultural sensitivities. This moderating factor is supported by findings that show how cultural norms and technological adoption relate to enhancing the user experience in Islamic banking. A finding of various studies claims that sharia compliance in fintech innovation a modern technology enhance sharia compliance which helps in improving user experience and provide accessible financial services which are trustworthy the and convenient. Furthermore literature reinforced the idea that technology advancements such as blockchain when used with loss significantly improve financial services. The study's findings when compared with old literature suggest the importance of implementation of Islamic laws in digital Islamic finance. It also suggest that the implementation of these sharia law will have positive impact of cultural sensitivity as a moderating factor. Further investigations and advancement are necessary to enhance comprehension and maximize the application of Sharia-compliant financial technologies.

### Conclusion

In conclusion, Sharia rules in the metaverse will significantly improve financial accountability and transparency in digital Islamic banking. Different factors like Cultural sensitivity will effect positively by influencing Sharia compliance and moderating its effect on financial transparency. Previous research and literature has indicated that use of Islamic laws like in block chain and fintech in finance has shown that implement of Shariah-compliant digital tools which not only ensures compliance, but also improves user experience. Together, these things shows complex interactions between the cultural environment, technological improvements and ethical requirements making the need for a comprehensive strategy to build trust and accountability in the dynamic field of digital Islamic banking.

### Implementations of the Study

At first, the use of digital tools and technology in Islamic banks can boost their status and reliability with stakeholders, as evidenced by the virtuous influence of Sharia compliance on

financial transparency and accountability in metaverse. This could encourage the adoption, implementation and acceptance of Islamic financial laws solutions on a larger scale in the digital Islamic industry (Platonova, Asutay, Dixon, & Mohammad, 2018; Siswanti, Salim, Sukoharsono, & Aisjah, 2017). Secondly, the cultural sensitivity as a moderator and direct influencer has significance effects enhancing user experience and trust. Financial institutions must consider local cultural norms and values during the development and execution phases to guarantee that Sharia-compliant financial technologies are accepted and resonate with various user bases.

Furthermore, user experience can be improved by application of Islamic law and rules by providing transparent, responsible, and effective financial services, digital solutions like block chain with Sharia compliance. This increases user satisfaction and trust, which will impact long-term viability and sustainability of digital Islamic banking platforms, in addition to improving functioning efficiency. Finally, these results highlight the need of ongoing advance study in the digital Islamic. It will help to investigate innovative digital advancements that enhance a variety of cultural demands while sticking to Sharia law. This might spur competition and innovation in the Islamic financial industry, which would help it expand and change in the digital era.

### Limitations and Future Directions

The study showed several limitations and metaverse highlights suggests future research guidelines to enhance considerate and practice. The geographical and social scope is a major restriction, in areas such as Jordan, which might not be indicative of the wider Islamic world. Because cultural sensitivity can range greatly between regions, this cultural specificity has an impact on the conclusions' generalizability. Another problem is the variation in technology adoption across Islamic financial institutions, since the advantages of adhering to Sharia law may vary depending on Moreover, findings on the influence of cultural sensitivity and technology integration on user satisfaction are less reliable when they rely solely on user experience data, which is vulnerable to prejudice and subjectivity. Subsequent investigations have to expand their geographic reach to encompass a range of cultural contexts, thereby augmenting the worldwide suitability of digital money solutions that adhere to Sharia law. Research should also examine the possibilities of more sophisticated technological integrations, including artificial intelligence, to automate and scale moral finance practices in the metaverse. Although user-centric design approaches could guarantee that financial solutions are both Sharia-compliant and culturally resonant, improving user engagement and satisfaction would be possible, longitudinal studies would offer more reliable data on the long-term effects of these integrations. Examining the function of the degree of technological skill and integration. There are challenges in incorporating Sharia principles into blockchain and other digital systems due to their complexity, which could



result in inconsistent application and adherence. As important as addressing the environmental effects of blockchain and other digital technologies employed in Islamic finance is examining how policy and regulatory frameworks support these technical breakthroughs. The field of digital Islamic finance can develop to satisfy the demands of various Muslim populations while upholding high standards of accountability, transparency, and user happiness by resolving these issues and investigating the suggested future approaches.

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### CRedit Authorship Contribution Statement

Muqadas Tooba: Conceptualization, Data curation, Formal analysis, Funding acquisition, Investigation, Methodology, Project administration, Resources, Software, Supervision, Validation, Visualization, Writing – original draft, Writing – review & editing.

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The author declares no financial or non-financial conflicts of interest related to this work.

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### Ethical Statement

This study followed ethical standards, and no ethical approval was required as no human tissue or biological samples were used.

### Data Availability Statement

The data produced and utilized in this study can be obtained from the corresponding author upon a reasonable request.

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