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(IJLGC)**www.gaexcellence.com/ijlgc**NAVIGATING SHARIAH GOVERNANCE PRACTICES AND
CHALLENGES IN GLOBAL ISLAMIC FINANCE:
A NARRATIVE REVIEW**Muhammad Ridzuan Abdul Aziz^{1*}¹Faculty of Business and Management, Universiti Teknologi MARA, Puncak Alam, Selangor, Malaysiaridzuandba@uitm.edu.my<https://orcid.org/0000-0003-4699-3100>

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Abstract:

Shariah governance symbolises the essential institutional and legal foundation of the Islamic finance industry, differentiating it from the conventional financial systems through strict adherence of its products, transactions, and operations to Islamic commercial jurisprudence. The aim of this narrative review is to synthesise the global literature to examine the current state of Shariah governance frameworks across varying jurisdictions. The paper critically evaluates the contrasting centralised and decentralised regulatory models, and the pivotal role and persistent challenges faced by Shariah committees. This paper underscores the impact of regulatory evolution (such as the transition from Shariah Governance Framework 2010 to Shariah Governance Policy Document 2019 in Malaysia), by examining these frameworks through contemporary corporate governance theories including agency, stewardship, stakeholder, and institutional theory. This paper assesses the research trends over nearly four decades (from 1985 to 2026), maps scientific actors, and recommends a future research agenda comprising of 26 core research questions, highlighting the necessity for international standardisation and integration of Shariah governance with sustainable development goals (SDGs). This review recognises important challenges, including the freedom of Shariah committee members in making decision, conflict of duties resulting from several memberships in Shariah committees, the critical inadequacy of competent and dual-certified human capital, the need of the robust internal Shariah control mechanisms (audit, review, risk management, and research), and the state of corporate transparency.

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Shariah Audit, Shariah Committee, Shariah Governance Framework, Shariah Review



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Introduction and Conceptual Foundation

Islamic banking and finance have seen substantial worldwide demand over the past several decades, emerging as an important component of the financial services industry worldwide (Ahmad et al., 2023). Islamic finance assets worldwide grew from USD 2.0 trillion in 2015 to nearly USD 4.0 trillion in 2021 and are expected to increase to USD 5.9 trillion by 2026 (Ahmad et al., 2023; ICD-Refinitiv, 2022). This substantial growth is driven by customers, in particular the observant Muslims who seek financial products and services in line with their ethical beliefs and Shariah law (Ahmad et al., 2023). In contrast to conventional financial institutions, Islamic financial institutions' operations conform to Shariah principles which forbid transactions containing usury (*riba'*), gambling (*maysir*), and excessive uncertainty (*gharar*) (Aziz et al., 2019).

Existence of a resilient Shariah governance framework is crucial to ensure integrity and legitimacy of the Islamic financial institutions' operations (Faizi & Shuib, 2024). Shariah governance refers to a system of checks and balances through which an Islamic financial institution ensures that its activities, products, and management conform to Islamic jurisprudence (Islamic Financial Services Board, 2009; Muneeza, 2013). This system of governance is uniquely distinguished from conventional corporate governance through its core objective to ensure absolute compliance with Shariah, thereby safeguarding religious integrity, stakeholder confidence, and the reputation of the Islamic financial institution (Hassan et al., 2005; Ginena & Hamid, 2015; Aziz et al., 2019).

Under the Islamic finance paradigm, corporate governance is deeply grounded in Shariah ethical foundations. These foundations are shaped by the main sources of Shariah including *Quran* and *Sunnah* which establish the key principles such as trustworthiness (*amanah*), accountability (*hesab*), and joint consultation (*shura*) (Bouheraoua, 2016; Choudhury & Hoque, 2004). Accountability in Islam incorporates responsibility toward society at large to eliminate poverty, prevent exploitation, and promote social justice (Bouheraoua, 2016; Karbhari et al., 2021). Thus, Shariah compliance is not just a technical or legal requirement, but a religious obligation to comply with the commands of Allah S.W.T. (Aziz et al., 2019). It is the Shariah committee that serves as the "brain" of the Islamic financial institution, directing and monitoring compliance with these sacred tenets (Aziz & Faizal, 2012; Alkhamees, 2013).

Theoretical Underpinnings of Shariah Governance

In order to comprehend the mechanics and evolution of Shariah governance, researchers have relied on a number of prevailing corporate governance theories by adapting these theories to the peculiarities of Islamic financial institutions (Obid & Naysary, 2014). Traditional theories on corporate governance including agency theory, stewardship theory, and stakeholder theory,

have been commonly assessed in literature but are frequently found to be inadequate in explaining the religious and social dimensions of Shariah governance (Lewis, 2005; Obid & Naysary, 2014).

Agency theory by Jensen & Meckling (1976) presumes that agents (managers) are self-interested and possess opportunistic behaviour and explores monitoring mechanisms that can minimise agency costs and information asymmetry between the managers and shareholders. On the contrary, stewardship theory by Donaldson and Davis (1991) assumes that managers are altruistic stewards who promote the firm success. Stakeholder theory by Freeman (1984) expands liability to include all parties affected by the operations of the firm. In Shariah governance, these theories are integrated under a *Tawhidic* epistemology, where managers are viewed as both stewards of the firm and agents of Allah S.W.T., accountable to both shareholders and the Creator (Obid & Naysary, 2014). Under this model, Shariah committee members and managers must take an altruistic, God-fearing view, striving for the socio-economic welfare of the Muslim community rather than merely maximising shareholder wealth (Obid & Naysary, 2014; Ahmad et al., 2023).

Institutional Theory (DiMaggio & Powell, 1983; Karbhari et al., 2021) have been extensively used in analysing the spread and maturity of Shariah governance practices. Institutional theory emphasises the way external and internal environmental pressures (coercive, mimetic, and normative) influence organisational structures, rather than by the purely economic forces. Coercive isomorphism occurs through country regulations and central bank mandates; mimetic isomorphism occurs when firms copy successful practices of pioneers; and normative isomorphism occurs through international institutions who set standards and educational programs (DiMaggio & Powell, 1983; Karbhari et al., 2021). These isomorphic processes have led to adoption of formalised Shariah governance model by Islamic financial institutions in achieving religious and social legitimacy and consequently establishing these Islamic financial institutions as genuine Shariah-compliant institutions from the public's perspectives while achieving standardisation of their operational practices (Karbhari et al., 2021).

Research Methodology of the Review

A structured, exploratory, qualitative narrative review methodology is applied in this narrative review for synthesising the Shariah governance research worldwide building on an extensive body of literature across multiple decades (Tumewang et al., 2025). The methodology used in this review is based on stringent research standards to ensure comprehensive coverage and validity.

Two dominant multidisciplinary bibliographic databases including Scopus and Web of Science were searched for identifying relevant scholarly works for this review (Tumewang et al., 2025; Haron et al., 2022). The primary search query applied include the following combinations of keywords including "Shariah supervisory board", "Shariah committee", "Shariah governance", and "corporate governance" (Haron et al., 2022). Manual screening was carried out on the reference lists of foundational and highly cited articles to support the electronic search in Scopus and Web of Science (Tumewang et al., 2025).

Stringent inclusion and exclusion criteria governed the literature selection (Tumewang et al., 2025). The inclusion criteria considered include journal articles, articles written in English, articles accessible in full text, and articles centrally focused on Shariah governance

frameworks, regulatory structures, Shariah committee characteristics, or internal Shariah control functions (Haron et al., 2022; Tumewang et al., 2025). Non-peer-reviewed materials, brief opinion pieces, and studies lacking methodological rigour were excluded from this review. Qualitative data analysis software was used in performing thematic content analysis which involve coding and synthesising of the chosen articles into major streams, which form the basis of the following thematic sections (Aspiranti et al., 2023; Tumewang et al., 2025).

Global Regulatory Frameworks and Standardisation Approaches

Shariah governance approach differs substantially signifying diverse legal environments, national histories, and market conditions worldwide (Noordin & Kassim, 2019). Shariah governance frameworks globally can be broadly categorised into four discrete frameworks or models including centralised, decentralised, hybrid, and non-centralised.

Centralised Shariah Governance Models

In the case of the centralised Shariah governance framework, a central Shariah Advisory Council is formed by the central bank of the respective country, mandated with the authority to centrally issue *fatwas*, outline Shariah governance guidelines, approve Shariah committee appointments at individual Islamic financial institutions, and resolve any Shariah issues (Accounting and Auditing Organization for Islamic Financial Institutions, 2017; Noordin & Kassim, 2019). This framework or model is deemed highly comprehensive, as it fosters standardisation, consistency of rulings, and minimisation of conflict of interest (Noordin & Kassim, 2019). Malaysia is the ground breaker of this approach. The first Shariah Governance Framework (SGF) in Malaysia was issued by Bank Negara Malaysia (the central bank of Malaysia) in 2010, which was then legally codified by the Islamic Financial Services Act (IFSA) in 2013. This has imposed an obligation on Islamic financial institutions to ensure full compliance with Shariah (Bank Negara Malaysia, 2010; Laldin & Furqani, 2018). Subsequently, the framework was updated by Bank Negara Malaysia in 2019 with the issuance of Shariah Governance Policy Document (SGPD), which greatly improved the roles played by the board of directors, senior management, and Shariah committee (Bank Negara Malaysia, 2019; Kamaruddin et al., 2020). Under this two-tier system, individual Islamic financial institutions possess internal Shariah committees, while the national Shariah Advisory Council at Bank Negara Malaysia is the ultimate authority in resolving Shariah disputes (Bank Negara Malaysia, 2010; Wilson, 2009). Other countries across the globe including Sudan, Brunei, Indonesia, Pakistan, and Iran also applied centralised structures with different levels of regulatory oversight (Noordin & Kassim, 2019; Hamza, 2013).

Decentralised and Hybrid Shariah Governance Models

As for the decentralised Shariah governance framework, there is no national Shariah boards at the central banks. Each Islamic financial institution depends on its own independent Shariah committee for *fatwa* issuance and product approval (Grassa, 2013; Wilson, 2009). Although this noninterventionist approach promotes quick product innovation and flexibility, the absence of standard regulations warrants caution concerning the consistency of *fatwas* and Shariah compliance quality (Alam et al., 2021; Hasan, 2010). This decentralised Shariah governance framework has been the preferred model in the Gulf Cooperation Council countries, like Saudi Arabia, Kuwait, and Qatar (Grassa, 2013; Noordin & Kassim, 2019). For example, Saudi Arabia has traditionally delegated the responsibility for Shariah governance to the individual

Islamic financial institution, albeit the recent issuance of the Shariah Governance Framework for Local Saudi Banks in February 2020 by the Saudi Central Bank for establishing the minimum Shariah governance requirements (Saudi Central Bank, 2020). In the case of Kuwait, any Shariah disputes can be directed to the Fatwa Board of the Ministry of Awqaf and Islamic Affairs in the country (Wilson, 2009). As for Bahrain, its central bank has given the mandate for the adoption of the standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (Wilson, 2009).

Hybrid models integrate the elements of both centralised and decentralised Shariah governance frameworks. In the case of Pakistan, the State Bank of Pakistan (the central bank of Pakistan) enforces robust “fit and proper” criteria and standardises reporting requirements by making it compulsory for the Shariah committee of the Islamic financial institutions to report to the central Shariah authority of the State Bank of Pakistan (Noordin & Kassim, 2019). In the case of the United Arab Emirates, its National Council of the Shariah Supervisory Committees acts as a central reporting body in the country (Noordin & Kassim, 2019). Conversely, secular jurisdictions such as the United States of America and the United Kingdom do not possess designated Shariah-compliant frameworks, where Islamic financial institutions are subjected to similar prudential requirements as conventional financial institutions, with their Shariah committees functioning in a purely advisory capacity (Hasan, 2011).

Table 1: Shariah Governance Models across Jurisdictions

Model Type	Central Authority	Binding Status of Fatwas	Standardisation Level	Key Jurisdictions
Centralised	Central bank Shariah board (e.g. Shariah Advisory Council of Bank Negara Malaysia)	Binding on both court and arbitration	Very high (precedent-based)	Malaysia, Sudan, Brunei, Indonesia, Iran
Decentralised	None at central bank; In-house Shariah committee only	Advisory or contractually binding	Low (varies across institutions)	Gulf Cooperation Council Countries (Saudi Arabia, Kuwait, Qatar)
Hybrid	Central Board + institutional reporting	Binding within prescribed guidelines	Medium to high	Pakistan, United Arab Emirates
Non-Centralised	None; Secular regulators (e.g. Financial Services Authority, Securities and Exchange Commission)	Purely advisory (non-binding in law)	Low (no local standards)	United Kingdom, United States of America, France

Source: Author's own

The Role, Independence, and Challenges of the Shariah Committee

Shariah committee has a huge responsibility in directing, reviewing, and monitoring Shariah compliance within an Islamic financial institution (Alkhamees, 2013). According to the definition by the Accounting and Auditing Organization for Islamic Financial Institutions (2024) and the Islamic Financial Services Board (2009), Shariah committee comprises of Shariah scholars with knowledge in Islamic commercial jurisprudence, and provide Shariah advice to the Islamic financial institutions (Karbhari et al., 2021). Shariah committee endorses Shariah policies, validating product structures and legal documentation, reviewing operational compliance, calculating Zakat obligations, and distributing non-Shariah-compliant earnings to charitable avenues for the respective institution (Accounting and Auditing Organization for Islamic Financial Institutions, 2024; Alkhamees, 2013).

The Challenge of Independence

Notwithstanding its critical importance, the efficacy of Shariah committee is affected by numerous systemic challenges (Garas & Pierce, 2010). The main challenge is the independence of Shariah committee (Garas, 2012). There is a tendency for conflict of interest and influence by the management, as members of Shariah committee are selected and compensated by the management or board of directors of the respective Islamic financial institutions served by the Shariah committee (Fidād, 2009; Garas & Pierce, 2010). Empirical studies have highlighted instances where management pressure delays the execution of Shariah committee decisions or where the lack of an independent reporting line impairs the board's objectivity (Garas & Pierce, 2010; Porter et al., 2008). In order to overcome this situation, recommendation by the scholars specify the need for Shariah committee member appointment and dismissal by the general assembly of shareholders rather than executive management, besides having an independent budget approval for Shariah committee's remuneration at the annual general meeting (Alkhamees, 2013).

Conflict of Duties and Multiple Memberships

Another related issue is the conflict of duties and "multiple memberships" (Alkhamees, 2013). Due to a global shortage of highly qualified Shariah scholars who understand modern banking and finance, a small circle of elite scholars dominates the industry, sitting on numerous Shariah committees simultaneously (Sori et al., 2015; Alkhamees, 2013). This excessive commitment affects the time Shariah committee member can devote in analysing complicated financial products, potentially jeopardising the depth and rigour of their assessment of Shariah issues (Alkhamees, 2013). For example, researchers have reported cases where scholars approved dozens of complex sukuk issuances in a single short meeting without adequate scrutiny (Alkhamees, 2013). In dealing with this issue, regulators have increasingly restricted multiple membership of an individual in Shariah committees. In Malaysia, Bank Negara Malaysia's guidelines prohibit Shariah committee members from serving on more than one financial institution in the same industry (Hamza, 2013). In the case of Pakistan, the State Bank of Pakistan permits scholars to sit on up to three Islamic bank Shariah committees simultaneously (Fatmawati et al., 2022).

The Human Capital Deficit

Finally, the Islamic finance industry faces a severe dually qualified human capital deficit (Obid & Naysary, 2014; Alam et al., 2020). Shariah committee members must possess profound knowledge in both Islamic jurisprudence and the modern commercial banking and finance (Bouheraoua, 2016). Nevertheless, traditional Shariah scholars normally do not have formal training in finance, accounting, or risk management, whereas the mainstream banking executives do not possess deep understanding of Shariah or Islamic law (Obid & Naysary, 2014; Alam et al., 2019). This can result in communication failures and a "clash of cultures" between Shariah committee members and management of the respective Islamic financial institution (Hashim & Isaacs, 2016). Moreover, language barriers exist, as financial contracts are frequently written in English, and many traditional Shariah scholars do not possess advanced English proficiency and have to rely on poor translations that can compromise the soundness of their judgments (Alkhamees, 2013).

Internal Shariah Control Functions: Audit, Review, and Risk Management

A robust Shariah governance framework cannot rely solely on the ex-ante approvals of the Shariah committee. It must integrate robust, ongoing, internal control functions in order to monitor and verify Shariah compliance throughout the daily operations of the Islamic financial institutions (Accounting and Auditing Organization for Islamic Financial Institution, 2019; Faizi & Shuib, 2024). Standardised frameworks (including Shariah Governance Framework 2010 and Shariah Governance Policy Document 2019 in Malaysia) specify four crucial Shariah compliance functions including review, audit, risk management, and research (Kamaruddin et al., 2020).

Shariah Review Function

The Shariah review function encompasses regular and period assessment of the operations, transactions, and product offerings of the Islamic financial institutions, in order to ensure full compliance of the Islamic financial institutions to Shariah principles and the specific fatwas issued by the Shariah committee (Bank Negara Malaysia, 2010; Bank Negara Malaysia, 2019). This function is typically carried out by qualified Shariah officers who act as the primary liaison between the Islamic financial institution's business units and the Shariah committee (Hasan, 2010; Noordin & Kassim, 2019). Shariah review covers both ex-ante product structuring phases and ex-post operational evaluations (Noordin & Kassim, 2019). In the event of any Shariah non-compliance, Shariah review officers are responsible for identifying the deviations, implementing immediate corrective measures, and establishing control mechanisms to prevent future occurrences of Shariah non-compliance (Noordin & Kassim, 2019).

Shariah Audit Function

The Shariah audit function entails an independent and objective assessment aiming to evaluation designed to enhance Shariah compliance of the Islamic financial institution, through impartial assurance on the sufficiency and efficacy of the Islamic financial institution's internal control and risk management systems (Aziz et al., 2019; Kamaruddin et al., 2020). As opposed to Shariah review function, Shariah audit requires assessment to be done by internal or external Shariah auditors periodically and retrospectively pursuant to established auditing standards (Aziz et al., 2019). Shariah audit's scope encompasses (1) audits of the Islamic financial

institution's financial statements; (2) compliance audits of the Islamic financial institution's corporate structure, operational processes, people, and information technology systems; and (3) a meticulous evaluation of the sufficiency of the Shariah governance process itself (Aziz et al., 2019; Kamaruddin et al., 2020). Findings from the audit exercise need to be presented to the board audit committee and the Shariah committee for further deliberation, ensuring independent reporting lines (Aziz et al., 2019).

Shariah Risk Management Function

The Shariah risk management officers is involved in identification, measurement, monitoring, and controlling Shariah non-compliance risks in an organise manner to control any potential financial or reputational losses (Salleh et al., 2025; Kamaruddin et al., 2020). Shariah non-compliance risk is defined as the risk of legal or regulatory sanctions, financial losses, or reputational damage as a result of violation of Shariah principles in the transactions and operations of the Islamic financial institutions (Ahmad et al., 2023; Salleh et al., 2025). Shariah risk management officers utilise advanced risk management tools including the Risk Control Self-Assessment and independent risk investigations in evaluating the risk exposure of new products and business lines, before outlining their recommended corrective action plans for any non-compliant activities (Salleh et al., 2025). Institutionalisation of Shariah risk management enables the Islamic financial institutions to ensure that Shariah compliance is integrated into the core risk architecture of the Islamic financial institutions (Salleh et al., 2025).

Shariah Research Function

The Shariah research officers perform in-depth Shariah research, as well as vetting of contemporary Shariah issues and contracts before presenting them to the Shariah committee (Aziz et al., 2019; Kamaruddin et al., 2020). Shariah research officers are also responsible in providing continuous advice and guidance to business units, assisting in product development and financial engineering, and ensuring that Shariah committee decisions are grounded in sound, classical and contemporary Islamic legal reasoning (*ijtihad*) (Hussain et al., 2015; Noordin & Kassim, 2019).

Table 2: Comparison of Malaysia's Shariah Governance Regulatory Milestones

Dimension	SGF 2010	IFSA 2013	SGPD 2019
Legal Status and Enforcement	Regulatory guidelines (mandatory for Islamic financial institutions, but lower legal authority)	Primary statute (Repeals Islamic Banking Act 1983; legally enforces Shariah compliance)	Comprehensive policy document (Refines and strengthens previous guidelines)
Shariah Committee Duties	Oversight role; Advisory in nature	Committee members hold equal responsibility and liability as the board of directors	Significantly expands Shariah committee responsibilities

Independence and Composition	Discussed in general terms; minimum 3 members	Cessation, cessation and legal frameworks	Mandates at least 5 members; strictly enforces 9-year tenure limit
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Source: Author's own

Transparency and Corporate Disclosure in Shariah Governance

Transparency is a fundamental tenet of Islamic corporate governance, serving to build the confidence of investors, depositors, and the wider public (Grais & Pellegrini, 2006). High-quality financial and Shariah reporting minimises information asymmetry and reflects the Islami financial institution's accountability (Aspiranti et al., 2023). Under the Islamic paradigm, corporate disclosure is not merely a strategic choice, but a moral duty to provide transparent and fair information to all stakeholders, allowing them to verify the legitimacy of the transactions they engage in (Obid & Naysary, 2014; Karbhari et al., 2021).

Nevertheless, empirical evidence indicates that Shariah governance reporting practices are commonly inadequate (Aspiranti et al., 2023). An analysis involving Islamic financial institutions in Malaysia and Indonesia revealed inadequate disclosures pertaining to sensitive Shariah matters (Wan Abdullah et al., 2013). For instance, a handful Islamic financial institutions revealed specific details pertaining to the equitable allocation of profits to investment account holders, the methodologies for zakat computation, or clear statements regarding the disposal of prohibited (haram) earnings (Wan Abdullah et al., 2013). Additionally, a large number of Islamic financial institutions failed to release the actual Shariah pronouncements and fatwas that guided their operations (Aspiranti et al., 2023). Although general Shariah reporting has shown acceptable improvement, the transparency concerning the internal workings of the Shariah committee and non-compliance events remains below stakeholder expectations (Shafiai & Engku Ali, 2019).

Researchers have established Shariah Governance Reporting (SGR) indices through weighted and unweighted content analysis techniques, in evaluating the disclosure patterns (Aspiranti et al., 2023). For example, Aspiranti et al. (2023) developed a complete unweighted index based on six major dimensions including (1) Shariah Committee (14 themes); (2) Shariah Review (5 themes); (3) Shariah Audit (6 themes); (4) Shariah Risk (5 themes); (5) Overall Transparency (11 themes); and (6) Investment Account Holders (4 themes), across a total of 45 sub-themes. Empirical results show that while centralised jurisdictions including Malaysia and Bahrain demonstrate significant SGR scores, decentralised jurisdictions and foreign-owned institutions generally record lower levels of voluntary disclosure, indicating the necessity of mandatory and standardised reporting templates worldwide (Aspiranti et al., 2023; Wan Abdullah et al., 2013).

Current Trends and Future Research Directions

Academic interest in Shariah governance has shown aggressive growth over the past two decades, transitioning from a specific research domain to a well-established and booming research domain (Tumewang et al., 2025; Haron et al., 2022). Analysis over nearly four decades (1985 to 2026) signifies an unchanging trend before the global financial crisis of 2007–2008, followed by a massive, explosive growth in publication volume and citations (Tumewang et al., 2025; Alshater et al., 2021). This aftermath crisis momentum is caused by growing public

interest in responsible and ethical business, which are core philosophies of Islamic finance (Thomson Reuters & International Shari'ah Research Academy for Islamic Finance, 2016; Tumewang et al., 2025).

Malaysia has become the dominant geographic hub worldwide for research on Shariah governance, spurred by robust infrastructure of the universities in the country and forward-thinking guidelines introduced by the central bank on the country, followed closely by the United Kingdom, Indonesia, Saudi Arabia, Bangladesh, and Pakistan (Tumewang et al., 2025). The literature in Shariah governance generally converges into four discrete research streams including (1) the structure of Shariah governance; (2) Shariah governance and risk management; (3) Shariah governance and sustainability; and (4) the effect of Shariah governance on an institution's financial performance (Tumewang et al., 2025).

Future Research Agenda

To guide future scholars, 10 high-priority research questions have been derived from the gaps in contemporary literature (Tumewang et al., 2025):

1. What is the empirical effect of different Shariah governance practices (centralised vs. decentralised) at the country level on the financial performance of Islamic financial institutions? (Hasan, 2011)
2. Do we need a harmonised Shariah governance regulation at the international level, or is a diversified approach more suitable for different jurisdictions? (Grassa, 2013)
3. How do the unique characteristics of Shariah committee composition (such as dually qualified scholars, gender diversity, and international members) impact risk-taking behaviors? (Haron et al., 2022)
4. What is the role of cutting-edge technologies (such as artificial intelligence, machine learning, and natural language processing) in detecting and mitigating Shariah non-compliance risk? (Tumewang et al., 2025)
5. How can we develop a robust and uniform Shariah Governance Index that holistically reflects the quality of Shariah control functions beyond the Shariah committee? (Ajili & Bouri, 2018)
6. To what extent do Shariah committee attributes affect non-financial performance indicators, like corporate social responsibility (CSR) disclosure and dividend policy? (Tumewang et al., 2025)
7. What are the key operational differences in Shariah audit practices between pre- and post-2017 regulatory frameworks across the Southeast Asia and Middle East and North Africa (MENA) regions? (Mishref & Saad, 2024)
8. How does the integration of Shariah governance with the Sustainable Development Goals (SDGs) and Green Finance affect the long-term sustainability of Islamic financial institutions? (Jan et al., 2022)
9. What is the legal possibility of developing an International Shariah Convention (analogous to the New York Convention) in serving as a global arbitrator in Islamic financial disputes? (Thomson Reuters & International Shari'ah Research Academy for Islamic Finance, 2016)
10. How can Institutional Theory be applied in analysing the day-to-day 'rules' and 'routines' of Shariah risk management officers in managing the Shariah non-compliance events? (Salleh et al., 2025)

Conclusion

Shariah governance is the imperative foundation for the religious legitimacy and operational credibility of Islamic financial institutions, separating them from the conventional financial system based on interest. Although international standard setting organisations together with proactive regulators have made the efforts to formalise and institutionalise comprehensive Shariah governance frameworks, critical vulnerabilities persist. The Islamic financial industry worldwide must urgently address the independence and over-commitment of Shariah committee members, enforce rigorous internal and external Shariah audits, and mandate higher levels of corporate transparency regarding the Shariah non-compliance risks and Zakat operations.

Long-lasting sustainability and equitable growth of Islamic financial environment can be achieved by closing the gap between Shariah governance theories and actual banking practices. Concerted efforts are needed from both the private and public sectors, supported by a consistent dual-qualification training programmes and the implementation of uniform professional codes of conduct for Shariah auditors. Essentially, the comprehensive development of a cohesive Shariah governance infrastructure is crucial for gaining trust from the stakeholders, while fostering financial stability at the national, regional, and global arena.

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