

Haddad, Achraf; Souissi, Mohamed Naceur

Article

The impact of Shariah Advisory Board characteristics on the financial performance of Islamic banks

Cogent Economics & Finance

Provided in Cooperation with:

Taylor & Francis Group

Suggested Citation: Haddad, Achraf; Souissi, Mohamed Naceur (2022) : The impact of Shariah Advisory Board characteristics on the financial performance of Islamic banks, Cogent Economics & Finance, ISSN 2332-2039, Taylor & Francis, Abingdon, Vol. 10, Iss. 1, pp. 1-38, <https://doi.org/10.1080/23322039.2022.2062911>

This Version is available at:

<https://hdl.handle.net/10419/303629>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.



<https://creativecommons.org/licenses/by/4.0/>

The impact of Shariah Advisory Board characteristics on the financial performance of Islamic banks

Achraf Haddad & Mohamed Naceur Souissi

To cite this article: Achraf Haddad & Mohamed Naceur Souissi (2022) The impact of Shariah Advisory Board characteristics on the financial performance of Islamic banks, Cogent Economics & Finance, 10:1, 2062911, DOI: [10.1080/23322039.2022.2062911](https://doi.org/10.1080/23322039.2022.2062911)

To link to this article: <https://doi.org/10.1080/23322039.2022.2062911>



© 2022 The Author(s). This open access article is distributed under a Creative Commons Attribution (CC-BY) 4.0 license.



Published online: 01 May 2022.



Submit your article to this journal [↗](#)



Article views: 6516



View related articles [↗](#)



View Crossmark data [↗](#)



Citing articles: 14 View citing articles [↗](#)



Received: 07 August 2021
Accepted: 02 April 2022

*Corresponding author: Achraf Haddad, Financial and Accounting Methods Teacher at the Higher Institute of Finance and Taxation of Sousse, Laboratory of Governance, Finance and Accounting at the Faculty of Economic Sciences and Management of Sfax, Tunisia
E-mail: achraf.haddad2015@gmail.com

Reviewing editor:
David McMillan, University of the Azores, Stirling, United Kingdom

Additional information is available at the end of the article

FINANCIAL ECONOMIC | RESEARCH ARTICLE

The impact of Shariah Advisory Board characteristics on the financial performance of Islamic banks

Achraf Haddad^{1*} and Mohamed Naceur Souissi²

Abstract: Theoretical approaches and demonstrated repertoires in the Islamic finance literature have formed a divergent and inconsistent system that did not truly value the importance of the Shariah Advisory Board's quality and practices. The real impacts generated by the Shariah Advisory Board on the Islamic banks' financial performance have not yet been thoroughly investigated in detail. While these impacts need the development of a metrological, dynamic, and methodological investigation, we delved into the specific effect of Shariah Advisory Board on the Islamic banks' financial performance in all continents. To explore the relationship between the selected variables through the application of the fixed and random effects method, we used 180 Islamic banks from 56 countries during the period (2010–2019). The empirical results revealed that the Shariah Advisory Board size,

ABOUT THE AUTHORS

Achraf Haddad (Corresponding Author) is a Doctor of Financial and Accounting Methods. He is now a Teacher of higher education at the Higher Institute of Finance and Taxation of Sousse (Department of Accounting and Finance), University of Sousse, Tunisia. Furthermore, he is a Researcher at the Laboratory of Governance, Finance and Accounting at the Faculty of Economic Sciences and Management of Sfax, University of Sfax, Tunisia. His main research interests include corporate finance, behavioral finance, international finance, Islamic finance, earnings management, accounting, accounting information quality, financial accounting, value relevance, auditing, and corporate governance.

Mohamed Naceur Souissi is an Assistant Professor of Accounting and Finance and an Internship Director at the Higher Institute of Business Administration of Sfax (Department of Accounting and Finance), University of Sfax, Tunisia. He is a Researcher at the Laboratory of Governance, Finance and Accounting at the Faculty of Economic Sciences and Management of Sfax, University of Sfax, Tunisia. Moreover, He has obtained his direction research diploma. His research activities deal with corporate finance, market finance, financial management, financial accounting, entrepreneurship, and Islamic finance.

PUBLIC INTEREST STATEMENT

The purpose is to detect precisely the Shariah Advisory Board's (SAB) strengths and weaknesses which can help Islamic Banks (IBs) to maximize their Financial Performance (FP). For that, in this study, we attempt to investigate the ambiguity of previous research on the impact of the SAB on the IBs' FP over an important period (2010–2019) using an important sample (180 IBs), which are located in an important number of regions (56 countries). It has many implications for IBs and investors who operate with them to design their investments and plan their financial strategies. Furthermore, our results allow customers and IBs' financial information users to follow the evolution of their financial situations through the quality of their SABs.

the number of meetings and the presence of Shariah advisers improved the Islamic banks' financial performance of Islamic banks. However, the presence of financial or accounting experts in the Shariah Advisory Board deteriorated their financial performance. Because the real impacts generated by the Shariah Advisory Board on the Islamic banks' financial performance are not yet investigated in detail, we analyzed not only the practical symptoms of the Shariah Advisory Board's effects on the Islamic banks' financial performance, but also, we tried to solve the ambiguity, and we provide the first detailed analysis that concentrated on the impacts of the determinants' quality of the Shariah Advisory Board on the Islamic banks' financial performance.

Subjects: Economics; Finance; Business, Management and Accounting

Keywords: Financial performance (FP); Islamic Banks (IBs); Shariah Advisory Board (SAB); financial stability period

JEL classification: codes: F30; G21; G29; G30

1. Introduction

The Islamic Banks (IBs)' governance structure is quite similar to the conventional governance structure (Bhatti & Bhatti, 2010), except that the Islamic governance model is derived according to the Shariah rules (Ashraf et al., 2015). Therefore, in IBs there is an additional supervisory mechanism known as the "Shariah Advisory Board (SAB)" added to the other supervision mechanisms compared to conventional banks (Al-Nasser & Muhammed, 2017; Farook et al., 2011; Noor, 2011; Smaoui et al., 2020). This internal mechanism plays an essential role in control (Haniffa & Hudaib, 2007). Its role is to clarify the unique IBs' attributes and reduce the conflicts between investors and bank managers in order to improve their Financial Performance (FP) and their governance transparency (Grais & Pellegrini, 2006). Abu-Alkheil et al. (2021) found that IBs seem to show more positive signs of recovery from the crisis than other bank types, but mainstream and pure IBs were not totally immune to the global shocks than mainstream banks. Large IBs have outperformed small banks, and new banks are better able to recover from the adverse effects of the crisis than old ones. Indeed, the SAB is an essential and primordial governance body in the Islamic finance industry (Masruki et al., 2018). It ensures the compliance of Islamic banking operations with the Shariah requirements (Bakar, 2002). Its existence can improve the oversight degree (Farook et al., 2011), protect the stakeholders' interests, and play a vital role compared to other governance mechanisms (Lewis, 2005).

However, the verification of the transactions' compliance with Shariah standards has shown that the advisers approve the same decisions already taken by the bank managers just for information. If the IBs fail to respect Shariah principles, depositors may withdraw their funds and investors may cancel their projects, which would decrease the IBs' profitability (Grassa, 2015). To achieve uniformity of practice at the international scale, the A.A.O.I.F.I.¹ has attempted to regulate the Shariah advisers' role by setting standards for the SAB composition. According to this body, the appointment of the Shariah experts should be vested in the annual general meeting of all IBs' shareholders despite being claimed by the BOD.² Indeed, all Islamic financial institutions must contain SABs, composed of at least three advisers.

The SAB is responsible for verifying the activities, products, and services' compliance as well as controlling transactions carried out by the IB or by its depositors through Shariah principles. Because of the strengthened application of the Islamic finance principles, the SAB decisions and complaints must imperatively be respected at all times. All marketed products and transactions carried out by an IB must be proven by the SAB and must comply with the Fiqh Al-Muamalat prescriptions and the Shariah provisions. In fact, advisers play an essential role to ensure the IBs' credibility and legitimacy and maintaining public confidence in the soundness of their operations.

If it turns out that the SAB members reveal that the bank's managers have invaded Fiqh Al-Muamalat rules, the bank quickly loses its investors, depositors, and customers' trust (Suleiman, 2000).

The IBs' FP comes from the IBs' internal administrators and appears in the degree of respect for the Shariah principles. The Shariah principles arrange that the first task of the advisers is the comprehensive review of banking transactions to ensure the financial instruments' Islamic character (Masruki et al., 2018). The standards state that this function encompasses spreading a compliant culture with Shariah law, ensuring a compliant preparation of financial statements in good weather, seeking answers and solutions to problems already faced by previous Islamic scholars other than proposing strategic operating procedures and methods to be applied by the bank itself. Failure to meet its obligations or exceed its rights costs the bank the loss of investor confidence. The second function of advisers according to Delorenzo (2007) and Ghayad (2008) is to review the implemented policies and the established contracts and agreements, to certify the annual accounting reports, to state their opinion on the compliance degree of offered products, operations, activities, investments and annual accounting records, and to issue Fatawi on the Islamic financial markets transactions.

Studies discussing the SAB effect on the IBs' FP are not numerous. They have not completed the exploitation of all related themes, neither those related to the IBs' governance quality nor those related to its repercussions on the IBs' FP (Gati & Basuki, 2020; Masruki et al., 2018; Mukhibad & Anisykurlillah, 2020; Nomran et al., 2018; Rahayu et al., 2019). Therefore, there remains a large research gap to be filled in this area. Based on the previous findings, we have formulated theoretical recommendations to help strengthen the IBs' governance through Shariah law. In this sense, Siagh (2002) found that the SAB acts positively on increasing the IBs' FP (Almutairi & Quttainah, 2017; Farag et al., 2018; Mukhibad & Anisykurlillah, 2020). This is due to the knowledge of the SAB members, as well as the unification and standardization of control methods. Besides, Mollah and Zaman (2015) demonstrated that the SAB has a positive impact on the IBs' FP when the advisers exercise a supervisory role and vice versa. Their research also proved the SAB contribution to strengthen the supervisory and regulatory mechanisms' effectiveness and help international organizations improve their performance, protect shareholder interests and create wealth (Kabir et al., 2014; Ulussever, 2018).

From an agency perspective, contrary to what Ramly and Nordin (2018) found, some other authors have argued that the required respect for Islamic religious principles acts as a protective counter-argument against agency problems, reducing inefficiency arising from information asymmetry and moral hazard (Al-Mahmoud, 2007; Hamza, 2013; Toufik, 2015), but this does not mean the absolute absence of agency problems (Garas, 2012). Competition between governance mechanisms creates agency problems and minimizes the banks' returns by implying increasingly reduced margins.

At the beginning of the emergence of Islamic finance, the practice of auditing Shariah law within IBs was previously neglected in the literature on Islamic banking, finance and governance. Currently, understanding the Shariah governance practices, the advisers' responsibilities and the process of monitoring Shariah compliance has become a necessary concern. The identified question at this level is to address the Shariah advisers' responsibilities in their functions of Shariah control, enforcement and supervision. Since the SAB has great importance within IBs as a governance mechanism that can influence their FP, the first objective of our study is to verify whether there is a real correlation between the SAB and the IBs' FP. The second objective is to establish a link between its determinants and the impacts generated. The third objective is to compare the SAB quality of the existing model with the perceived quality and the epistemic SAB quality provided for by the good governance practices and the Shariah standards.

The impact of the SAB qualification on the IBs' FP is a very rich subject that has not yet been fully covered. Although several previous studies have invested in this topic, our study has many new contributions. Theoretically, our study provides an additional surplus to the literature on the SAB importance. First, we used a larger sample size than the samples used in previous studies. Second,

from what we have read in the literature, we have not found a previous study that tested a dispersed and heterogeneous like us, IBs in our study are located in 56 countries. Third, we put a new FP evaluation approach via the SAB determinants and vice versa. Our practical contributions are an incentive to our study in several ways. First, we have demonstrated how the SAB authority can exert significant influence on IBs' FP. The second main practical contribution is to enhance the real impacts of the SAB determinants on the IBs' FP. As an implication, this study could be a valuable knowledge source for investors, policymakers, and customers of IBs, particularly in the FP planning and financial strategies preparation. Also, we evaluated the FP quality via the SAB quality and identified the impacts of SAB determinants on the IBs' stakeholders.

The rest of the paper is structured as follows: In Section 2, we expose some previous results of the effect of SAB's characteristics on the IBs' FP. In Section 3, we present our methodology and data collection process. Our primary empirical results and our findings' discussion are provided in Section 4. Section 5 concludes the paper.

2. Literature review

2.1. *Maquased Al Shariah*

The ethics question includes religious aspects (Alhammadi et al., 2020). Religious facts fuel controversy not only in Islamic countries but especially in secular countries. The rules tendencies on which Islamic finance is based are commonly accepted all over the world, not only by Muslims but also by non-Muslims who prefer to operate with IBs in the same market (Tameme, 2009). The religious principles drive the individuals' behaviors since they incorporate moral values very close to them. Islamic finance is a system with ethical concerns justified by the finance theory through customer satisfaction (Ariff, 2007; Dusuki & Abdullah, 2007; Wilson, 1997). The IBs' principal objective is to pay more attention to moral values and do away with unethical practices prohibited by Islam (Onakoya & Onakoya, 2013). Moreover, the IBs' governance is based on the epistemological aspect of Tawhid, Shariah, and ethics (Hasan, 2012). More specifically, their purpose is to fulfill the teaching of the compliance of monetary operations with the regulations of the Holy Quran rather than to derive the maximum return on financial assets "And thou (standest) on an exalted standard of character" (Al-Qalam, Verse 4), "This is no other than a customary device of the ancients" (Al-Shura, Verse 137).

Islamic banking is based on an equitable distribution of risk. This provides financial support to small investors, the poor, and the needy (Akkizidis & Khandelwal, 2008). For this reason, the A.A.O.I.F. I. promulgated an ethics code for accountants and auditors of Islamic financial institutions Simon et al. (1998). The justification for the prohibition of interest is based on justice values (Adl), cooperation (Taawun), efficiency, stability and ethics (Lewis, 2005). In addition, Islam's response to solving social imbalances stems from the inequitable distribution of income created by the credit system and curbs the damaged relationships that arise from conflicts of interest between stakeholders or even from the inadequacies of the adopted governance system. Pricing interest on loans had never received ethical support (Hanif, 2011). Even if the interest system has its advantages confined on behalf of the lenders, the borrowers bear the obligations of the costs which is contradictory to ethics. Moreover, interest loans based on risk capital adjustments tend to serve the most credit-worthy borrowers and are not necessarily the most productive projects.

The validity of Islamic law comes from the fact that it is the manifested will of God. Its origins, in addition to the Holy Quran (primary source), are found in the judgment, words and actions of the Prophet Muhammad. The second source of Muslim law (the Sunna) organizes the application of the rules, principles and injunctions already stated in the Quran. Thirdly, Islamic law is inspired by the interpretations and reasonings of scholars and Chouyoukhs of Islam (Tertiary source).

Over the centuries, these rules progressed into a comprehensive system of public and private rights, as well as prescriptions for religious practice. The Quran has produced a number of general

rules, these have not delimited all the possible problems to be encountered by the Muslim in his daily life. The century after the death of the Prophet Muhammad, the text of the Quran was supplemented with references from Sunna and standard practices. This was known by thousands of scholarly accounts in the Hadith literature of what the Prophet had said and done (Mervyn, 2007). For Muslims, the principles of Islam are made explicit by the Islamic laws of Shariah.

As defined by (Chaar, 2008), Shariah is “a set of norms, values and rules that aim to ensure that people have a life in accordance with the divine will”. Shariah originated from attempts made by early Muslims, it covers personal matters, social, political and economic affairs of the state as well as matters facing immediate social and political problems. For this, the State’s objective is to design a legal system in accordance with the code of conduct recommended by the Quran and the Hadith.

The Fiqh is an inspiration source for Islamic law, bringing together the explanations debated after the death of the Prophet Muhammad. The Fiqh is the Muslim law as it has been constructed by jurisconsults. Shariah scholars are based on several references and information sources before the publication of an official Fatwa. To achieve this, jurisconsults use different processes such as analogy (Qiyas), legal preference (Istihsan), general interest (Istislah) and customs and traditions (Urf). When the entire specialists’ community recognizes the validity of one of the opinions generated through these techniques, it takes the force of law. The consensus process is of vital importance since it leads to the opinions unification, named “Ijma”. Indeed, the opinion that achieves this status and religious conditions becomes an approved law source (Chaar, 2008). Islamic finance, therefore, seeks to comply with the various aspects of Islamic law relating to commercial and financial transactions.

Islamic banking activities and financial transactions (Muamalat) are governed by clear guidelines and limits prescribed by the Quran (Holy Book) and Sunnah (Practices of the Prophet Muhammad). Admittedly, the IB is above all a solidary and participative institution with a religious reference. The solidarity of facts stems from the offer of products without interest to people in difficulty (Khardh Hassan). Furthermore, Shariah supervision controls the presence of injustice and the exploitation of opportunism in transactions (Zighaba, 2009). Participation is manifested through religious contracts of partnership and human principles built on real investment instruments and practices, unlike some conventional transactions which are based on purely theoretical assumptions in the field of management, economics, finance, accounting and governance sometimes demonstrated by researchers and sometimes not.

The Shariah sources constitute in themselves an integrated governance mechanism in the modalities of operational functioning of IBs. Islamic finance contracts must not conflict with fundamental Shariah principles (Wilson, 2009b; Hasan, 2011). Five principles characterize the IBs’ transactions, there is the prohibition of interest (Riba, Usury or Excessive), the prohibition of Gharar and proscribed Maysir (Risk, Uncertainty or Speculation), the prohibition of illicit sectors’ financing (such as weapons, drugs, alcohol and pork), banking transactions necessarily involve tangible and identifiable assets—must be backed by genuine economic operation and the sharing of profits and losses between the parties.

In terms of the structure of the governance system, in the Islamic banking sector, this governance mechanism is unique, IBs offer a different paradigm compared to other types of banks adhering to an additional control force (Fiqh Al-Muamalat) which guides the validity and relevance of its investments and financial operations (Choudhury & Hoque, 2006; Abu-Tapanjeh, 2009; Delorenzo, 2007; Safieddine, 2009; Garas & Pierce, 2010; Fahmi, 2012; Gaali, 2015).

2.2. The Shariah Advisory Board determinants

Several standardization bodies have set the minimum requirements for the Shariah advisers’ selection and the necessary skills to make their obligations in accordance with Islamic Shariah standards such as (A.A.O.I.F.I, 2008) and (I.F.S.B, 2009). Nevertheless, the degree of application

and respect of these standards varies internationally depending on several factors, namely the extent of adopting prudential regulations in each country and the size as well as the benchmark of the Islamic banking sector. According to the Islamic school, the Shariah standards must be followed by all Muslim citizens.

Banaga et al. (1994) have enumerated an exhaustive list of the SAB's responsibilities. They have highlighted the different missions requiring the intervention of the committee and defended its existence as they are predefined:

- Responding to questions and clarifying inquiries from the wider community be they part of the bank or not without exception.

- Carrying out technical studies to ensure the compliance control of transactions applied to Shariah standards carried out by the bank and its branches.

- Holding regular meetings to discuss all overruns, prepare advisory programs and deliver advice to affected parties.

- Issuing formal legal opinions in accordance with Islamic law and taking into account the investigations carried out and the speculations of other Foukaha or all other parties interested in Islamic banking activity.

- Censoring and reviewing all negotiations and transactions accomplished by the IB with its stakeholders to ensure compliance with Shariah formalities. If it turns out that the transactions and contracts made contradict Shariah's principles, the transactions will be disowned.

- Forwarding, after consultation, requests received from management or others to the BOD to express its final opinions on the concerned information. If it is not disapproved, an opposing opinion or a different view should be sent by the BOD containing the reasons for objections.

- Documenting and recording the minutes of meetings.

- Writing explanatory notes on laws, decisions presented by the bank, arrangements, and conventions.

- Preparing draft decrees and contracts in collaboration with the legal advisor of the IB.

- Determining the Zakat rate and directing the resources collected towards investments authorized by Shariah (Rammal, 2012).

According to Hassan and Sofian (2010), the report disclosed by the SAB should ideally contain the following information:

- * The name, training of the SAB's members, their remuneration, and the meetings' number held during the financial year.

- * The method of reviewing documents, the defects affected, the products offered, the recommendations sent by the customers, and the possible corrective actions to rectify the disproportions.

- * Certification of compliance with the distribution of profits and losses as well as the distribution of Zakat.

*Certification showing that all products and benefits are legal and comply with Islamic operating standards.

Moreover, Nurhastuty & Shaista (2012) pointed out that the operational process of the selection of advisors who are members of the SAB depends simultaneously on three explicit conditions ensuring their qualities which are integrity, competence and financial reputation:

*Integrity: means the possession of a good reputation, the adoption of moral values, the accreditation of ethical principles and the commitment to the respect of Islamic laws and the control of the Fiqh Al-Muamalat conformity and other legislation in force to ensure the IB's sustainability.

*Competence: generally encompasses all the achievements and knowledge in accounting and finance related to the Islamic banking sector and the accumulation of training and experience in the field of "Fikh Al- Muamalat".

*Financial reputation: stakeholders testify that the name of the designated person should not be included in the bad credits' list or his name mentioned in the list of doubtful customers of the same bank in which he will be recruited or in another IB. In addition, the chosen advisor must never have been a shareholder of the bank, nor be appointed a member of its audit committee or a member of their BOD in previous years.

2.2.1. *Shariah Advisory Board size*

The SAB is made up of some of advisers varying from bank to bank. All boards must be chaired by a qualified director among the members of Chouyoukh. In some countries, the leader cannot appoint or fire the SAB members. He can only propose names. In other countries, such as Malaysia and the United Arab Emirates, the government is responsible for appointing Shariah advisers. The directors must necessarily have more specific religious and scientific qualifications compared to other members. However, in hierarchical terms, there is no difference between the members. In Indonesia, Islamic banking law provides that IBs should have a SAB whose members are to be appointed by the shareholders' general meeting based on the ICU³ recommendations.

Although there are no limitations and no restrictions on a fixed number of advisers serving on the SAB, most of the previous studies published that the preferable number is three, whereas, the A.A.O.I.F.I. requires a minimum of three members (Ginena and Hamid 2015). Indeed, the higher the number of advisers, the better the supervision quality (Frag et al., ; Quttainah et al., 2013). The A.A.O.I.F.I. recommends that some qualified specialists from different professions must sit within the SAB, including bankers, economists, and financiers. According to Hasan (2009) and Grassa (2015), in Saudi Arabia, Kuwait, Nigeria, Arab Emirates, Bahrain, Syria, Libya, Palestine, Oman, and Jordan, the SAB must be composed of three auditors, whereas in Qatar, the SAB must consist of at least two members. In other regions, the number of Foukaha in SABs must be in a fixed interval. For example, in Iraq, the SAB size must be comprised between three and five auditors, in Indonesia, the SAB size must be comprised between two and five auditors, while in Yemen, the SAB size must be comprised between three and seven auditors (Ayedh & Echchabi, 2015; Grassa, 2015). However, Saeed (1996) revealed that in some Islamic financial institutions in the Middle East, IBs appoint a single religious consultant in their SABs. Overall, the total workforce varies from one bank to another depending on the region. In Malaysia for example, as it is regulated by Islamic banking law, the SAB members are appointed by the shareholders' general meeting. In contrast, in Pakistan, IBs apply the State Bank's requirements regarding the restrictions on the Shariah advisor appointment. If the bank is purely Islamic, the State Bank requires the presence of a SAB, the number of its advisers being defined by a specific and detailed circular. However, if the bank is not purely Islamic, it is free to appoint or not a SAB .

2.2.2. *Mastery of Shariah principles by the Shariah Advisory Board members*

In 2006, the I.F.S.B.⁴ promulgated that an Islamic financial institution must have an appropriate composition facilitating the SAB constitution to ensure compliance with Islamic law. The SAB members must combine diverse skills, but all must be trained in Shariah principles. The SAB is generally composed of a variable number of Foukaha-advisers, jurists, and economists specializing in Shariah (Ghayad, 2008; Hendra, 2016). According to the A.A.O.I.F.I. (2006c), as internal Shariah auditors, the SAB's members must necessarily be independent, honest, well-reputed, and have pertinent skills to satisfy investors' expectations and to help the bank gain public confidence (A.A.O.I.F.I., 2006a and A.A.O.I.F.I., 2006b; Al-Mahmoud, 2007; Hamza, 2013). Shariah advisers play a crucial role in the forcible imposition of discipline. Their main functions are to monitor the religious aspects of transactions, issue legal opinions known as Fatawi, and provide clarification on Shariah issues. They review all contracts, agreements, financial products and activities without exception, watch out for all types of Islamic principles violation to ensure that IBs operate in accordance with Shariah regulations, authorize the operations, transactions, and products offered by the IB, delegate some tasks that they deem possible and not contradictory with the Shariah rules, oversee day-to-day financial transactions, legally approve contracts and agreements, provide specific legal advice and answers to customers and investors' requests and to all other interested parties, and plan banks' future transactions (Al-Mahmoud, 2007). Higher SAB independence means that advisers with expertise in Shariah and banking areas can reduce credit risk (Ramly & Nordin, 2018).

The appointed scholars have the power to reject all the newly offered products and transactions that contradict Islamic law. As predefined by the I.A.I.B.,⁵ an adviser is recruited within the SAB only if he is a specialist in law and Islamic jurisprudence. Such a product that is not approved by the SAB will be blocked before market launch. However, the number of Shariah advisers around the world is very limited. There are only four countries recognized worldwide as the most advanced in the training of experts in the Shariah interpretation which are Saudi Arabia, Malaysia, Pakistan, and Iran. Scholars graduating from the above-mentioned countries are globally recognized internationally, generally referred to as members of the A.A.O.I.F.I. or in other national bodies regulating and interpreting Shariah. Since the SAB performs a religious audit of all receivable accounts (Karim, 1990; Warde, 2000), this assures IBs' stakeholders that managers are working in accordance with the Shariah standards.

2.2.3. *Islamic accounting and financial competence of the Shariah Advisory Board members*

The study of the importance of Shariah advisers' financial competence is not sufficiently explored by researchers in Islamic accounting, finance, and auditing. The main SAB advisers' functions are similar to those of the internal auditors (Alsartawi, 2019; Garas, 2010). The difference is manifested at the practical religious level since the Shariah advisers ensure that all bank accounts are carried out (Usmani, 1998). Moreover, religious Shariah supervisors usually receive training that gives them the right and capacity for a religious interpretation of the Quran and Hadith. As Islamic banking activities are very complicated, in addition to the SAB members' qualification in religious jurisprudence, Shariah advisers should satisfy the expertise condition in Islamic commercial jurisprudence "Fiqh Al-Muamalat" (A.A.O.I.F.I., 2004, 2005; Al-Mahmoud, 2007). Since education is an essential tool that helps SAB members to conduct their responsibilities more efficiently (Ghayad, 2008), Shariah advisers must also have a broad knowledge of Islamic and secular business law, broad experience especially in accounting and/or financial practices, banking and close knowledge of Islamic and commercial banking law. Moreover, because of its advisory and recommendation role to the BODs and the CEO on all aspects related to Fiqh Al-Muamalat (Quttainah et al., 2013; Song & Oosthuizen, 2014; Ginena & Hamid, 2015; Meslier et al., 2020) and to ensure compliance of Islamic products with Shariah principles (Meslier et al., 2020; Quttainah et al., 2013), the SAB should be composed of experts in Islamic jurisprudence who also have sufficient knowledge of contemporary finance as well as accounting practices (Grais & Pellegrini, 2006; Hamza, 2013). Advisers need to review agreements, contracts, products, accounting practices and financial activities to ensure their compliance with Shariah rules (Abdul Rahman & Bukair, 2013). A well-educated advisor is more professional and is more able to remove uncertainty from operations and records (Grace et al., 1995; Hambrick & Mason, 1984). The members' education qualification and specialty increase the disclosure of accounting and governance information (Farook et al., 2011).

Usually, the SAB members are composed of Foukaha specialists in Islamic law, but only some scholars have banking, accounting, financial, and economic expertise (Abdullah et al., 2015). Most of them are not very educated in secular sciences, do not have the necessary competence nor the sufficient level in accounting, finance and audit and have a lack of experience in IBs. This affects their ability to execute well-informed decisions (Bakar, 2002; Ginena & Hamid, 2015). For this reason, advisers must acquire further training in business aspects to be able to understand business activities and perform the necessary control. The SAB certifies at the end of the year whether the monetary transactions, contracts and exchanges carried out by IBs were Shariah-compliant (Warde, 1998) and finally establishes the necessary sanctions or recommendations. Indeed, the SAB closes each accounting year by applying corrective actions and necessary practices intended to improve the disciplinary power of the Shariah governance.

Since the SAB's authorities are very close to those of external audit and the difference is only in the reference application guide, the SAB is responsible for evaluating circulars, operational and financial reports and the chosen policies (Karim, 2001). The ideal SAB composition consists of members who have received various training (e.g., Islamic law, jurisprudence, accounting, banking finance, the world economy, the economic system (Common Law and Civil Law)). The A.A.O.I.F.I. defined the SAB as an independent governance mechanism, specialized in the IBs supervision following Shariah law and composed of jurists specializing in Fiqh Al-Muamalat who have the necessary expertise to supervise the IBs' financial reports (A.A.O.I.F.I., 2005; Al-Mahmoud, 2007). They are responsible for directing, reviewing and supervising IBs to ensure that their activities comply with Shariah rules. According to the A.A.O.I.F.I (2005), the SAB should contain no less than three members, at least one of whom should have sufficient knowledge of Islamic finance.

2.2.4. Number of meetings held by the Shariah Advisory Board

The SAB members can meet with the IB's management team several times a year, a few times a year, or rarely; and more precisely, frequently or not on a periodic or an irregular basis. Meetings are sometimes held on a biannual basis, but they can also be quarterly, monthly, or irregular. The purpose of condensing meetings is to comprehensively review all transactions and recommendations received to approve those that correspond to Shariah standards as they reflect high transparency. Otherwise, advisers are responsible for removing false transactions and recording particular problems.

In contrast, Shariah advisers do not have a standard professional code that unifies the meetings policy nor a uniform standard that organizes the Shariah interpretation. This leaves free space for interpretation between Foukaha and managers (Karim, 1990). Opening up the field of diligence can subsequently become a source of conflict of interest for SAB members due to the making of arbitrary, personal and unreviewed decisions. However, this margin of freedom will easily lead either to the emergence of different or contradictory opinions between the Shariah advisers and the other committees' administrators or to the propagation of opportunistic behavior between other parties. In this case, the maximization of the number of meetings is considered as a solution in front of all the Shariah exceedances. In Malaysia for example, the SABs meet every two months, but that does not prevent some IBs from going beyond this custom. In Indonesia, the IBs require SABs to hold at least one monthly meeting and submit periodic supervision reports to the Indonesian Bank (Nurhastuty & Shaista, 2012; Darmadi, 2013b).

3. Hypotheses development

Although Shariah advisers have an important role in approving and monitoring financial transactions, in the following we have developed a detailed explanation illustrating the effect of the SAB's characteristics and the advisers' selection method on the IBs' FP. Thus, some determinants associated with the SAB's characteristics can affect its effectiveness and weaken the quality of its role, namely the number of SAB members, Shariah expertise, secular educational qualifications (Garas & Pierce, 2010; Grais & Pellegrini, 2006) and the number of meetings carried out by its members (Darmadi, 2013b; Karim, 1990).

3.1. Impact of the Shariah Advisory Board size on the Islamic Banks' financial performance

Few studies have examined the impact of SAB size on the IBs' FP (Farook et al., 2011; Ghayad, 2008; Matoussi & Grassa, 2012; Mollah & Zaman, 2015; Nomran & Haron, 2020; Winarsih & Robiyanto, 2020; Zoair, 1996). They argue that size is a determinant of the SAB quality, it is likely to affect its ability to monitor and review all IBs' transactions to ensure their compliance with Shariah rules, and it has a significant impact on the IBs' profitability. In practice, IBs adopt different SAB size based on their specific regulations, thus there is no optimal SAB size that fits all (Nomran & Haron, 2020). Some research has highlighted that a small SAB better enhances IBs' FP compared to large SABs (Almutairi & Quttainah, 2017; Farag et al., 2018; Mukhibad & Anisykurlillah, 2020; Nomran et al., 2018; Rahayu et al., 2019).

A large SAB leads to better Shariah compliance and provides more skills and diverse experiences (Sulub et al., 2020). Referring to the A.A.O.I.F.I., maximizing the number of advisers allows monitoring IBs' consistency with Shariah standards because quality control requires a large number of advisers to perform all these functions and ensure more compliance (A.A.O.I.F.I., 2004; O.C.A.I.F.I., 2010d; Sulub et al., 2020). An increase in the number of Shariah advisers promotes oversight capacity that can raise the accounting and financial information disclosure. Consequently, this creates a synergy between members pooling their ideas and opinions to obtain better applications of Islamic law and notably improve the financial reports' transparency rating (Hameed, 2009). A large SAB encourages the governance disclosure extent and the compliance degree with Shariah rules (Maali et al., 2006) in order to maintain the interests of all stakeholders (Islam & Deegan, 2008). Nevertheless, a small SAB may expose the IB to the risks of Gharar, inattention, and the lack of transparency due to incompetence. Then, the situation develops and it could transform into an information asymmetry between the SAB, as a delegate of compliance with the Fiqh principles, and the other stakeholders operating in Islamic banking.

According to Chen and Jaggi (2000), Farook et al. (2011), and Farag et al. (), a large SAB can reduce uncertainty, information asymmetry, and agency cost. Zoair (1996) found that if the SAB is composed of ten members, the control quality improves. Such an evolution acts directly on the transactions' quality and banking operations. This policy develops the service quality, meets customers' expectations and needs and meets the attributes of management consultation and supervision as it is provided for by Shariah standards. Also, Wan et al. (2010) studied the effect of the SAB on the IBs' voluntary governance disclosure. They found that the SAB size positively affected the extent of voluntary governance disclosure. A large SAB would distribute tasks among members. Each member focuses on the transparency of their functions in the governance report. Therefore, a lack of transparency in this regard generates agency relationships between IBs and their stakeholders, exposing the bank to Gharar risk.

In the same framework, Abu-Me'mer (1994) concluded that the presence of a high and optimal number of advisers promotes the respect of Shariah standards and improves the compliance degree with its provisions. He also revealed that the number of SAB advisers meets the needs of the financial institution, and this affected positively the members' performance, whose needs the bank is required to meet. Therefore, Abu-Me'mer (1994), Mollah and Zaman (2015), Hamza (2016), and Nomran et al. (2017) stated that the SAB size favors the overall IBs' FP and increase all their measures. Furthermore, Rini (2014) studied the impact of SAB's determinant on the quality of IBs' financial statements in Indonesia. They concluded that the SAB size is expected to improve the earnings' quality, especially, in the determination of profit.

Based on the literature review, we estimated that the larger the SAB, the more skills it would include. The first hypothesis we have adopted is put as follows:

Hypothesis 1: *Ceteris paribus*, the SAB size has a positive effect on the IBs' FP.

3.2. Impact of the Mastery of Shariah principles by the Shariah Advisory Board members on the Islamic Banks' Financial Performance

According to agency theory, the SABs' Foukaha's have some technical implications on their opinions' independence. Normally, these auditors should verify that the institutions' transactions are Shariah-compliant and that their financial products are "Halal". However, the advisers may formulate a religious opinion outside the Quran and the Hadith. Despite the uniformity of the Shariah opinion process, the differences between advisers' opinions on provisions and applications are due to the religious text interpretation (Karim, 1990). The hypotheses neutralization of behavioral effects and transactions transparency will automatically be rejected. In the SAB, the number of Shariah advisers can have a direct impact on the customers' confidence. Therefore, it must be proven that Foukaha members are honest and free from conflicts of interest. Moreover, the bank must prove that the advisers have necessarily undergone certified scientific training. Their opinions are not questionable, they are well demonstrated and reflect the respect of the religion to improve the public's confidence in the offered products and services. At this point, Farook et al. (2011) revealed that the existence of a high-profile SAB increases the supervision quality and improves the disclosure level. SABs' advisers must be qualified with many experiences enabling them to ensure Shariah compliance and provide a more in-depth review of annual reports.

According to Meslier et al. (2020), it is possible to establish a Shariah department in the IBs with the purpose to assist the SAB in conducting their duties. This department may have an interesting impact to be considered. First, the Shariah department could positively support the conduct of the all-important bulk of PLS activities, including equity financings and investments, as the department works directly with SAB. In this way, the implementation of the SAB financial decisions on the investments, transactions, or equity transfers will also be more efficient. Second, since advisers of the Shariah department are hired by IBs like other employees, their independence to provide effective Shariah assistance requires a great deal of professionalism in order not to be questioned. On the other hand, Chariri (2019) found that SAB had a positive influence on IBs in terms of return on assets and capital adequacy ratio. He indicated that the main feature of SAB in IBs is to assist in the operational compliance of banks with Shariah principles, advise the BODs, establish rules and principles regarding Islamic banking products, monitor policies and compliance systems and to ensure that banks are organized in accordance with Shariah principles and issue rulings (Fatawi) with the aim of creating confidence among IB customers.

The Islamic finance industry has experienced several other challenges such as the shortage of qualified Shariah advisers and financial transactions inconsistent with Shariah standards. Appropriate qualifications in the Shariah field are required to monitor the Islamic practices that resulted in the introduction of new Islamic financial derivative products (Hamza, 2016; Ramly & Nordin, 2018). But they are criticized either because these products practice the interest or because they exceed the Shariah rules. Moreover, the lack of such specialists in the market reduces their independence. To guarantee their independence towards other stakeholders, these lawyers should assume their responsibilities as outside directors. In fact, they receive neither actual remuneration, internal motivation, nor a fixed salary. Based on the interpretation method, Shariah scholars make their decisions: if the Quran text contains an explicit answer to the problem, the SAB automatically makes a decision. If the basic text is not precise and is open to interpretation, the SAB members will adopt their opinion. If there is no indication in the Quran, the SAB resorts to the members' conscience in the area of "Fiqh Al-Ijtihad". In this case, advisers are guided by their moral beliefs and obligations to peers while respecting the Shariah requirements (Karim, 1990).

Furthermore, Ullah and Khanam (2018) declared that the IBs' transactions inconsistency with the Shariah rules is the most important factor that may affect the banks' FP. In this case, the good selection of SAB members is very important to maximize their FP (Almutairi & Quttainah, 2017; Farook et al., 2011; Hamza, 2016; Nomran et al., 2017). IBs need legal professionals specializing in Islamic

commercial law to bring Islamic rules and principles to modern business. The SAB financial expertise could influence the accounting quality and financial information transparency. Therefore, SAB members who are credible, competent, socially reputable, qualified, financially literate and with practical experience are more effective than members who do not have these characteristics. According to H. Ahmed (2014), failure to respect Shariah principles can have a negative impact on the IBs' income and profitability in the short and long terms. In the short term, any income from fraudulent transactions is excluded from the bank's total income. In the long run, the dilution of Shariah law can negatively affect stakeholder confidence in the credibility of IBs' financial practices.

Based on our focused interest, SAB members with Shariah knowledge are expected to reflect the improvement of IBs' FP. Here is the hypothesis we have adopted:

Hypothesis 2: *Ceteris paribus*, the degree of knowledge of Shariah and mastery of the Fiqh rules by the SAB members has a positive effect on the IBs' FP.

3.3. Impact of the Islamic accounting and financial competence of the Shariah Advisory Board members on the Islamic Banks' Financial Performance

In the agency theory framework, the SAB members in accounting and financial qualification can reduce earnings management compared with the analysis of the normal situation (Faradila & Cahyati, 2013) and are more able to reduce credit risk (Ramly & Nordin, 2018). In addition, the advisers' expertise in the areas of accounting, finance, economics and banking improves advisers' yield and performance that unfolds through the transparency and disclosure on the governance quality. Indeed, the annual reports promote accounting and financial information efficiency and encourage also communication with managers. Nevertheless, the lack of sufficient expertise among advisers in Islamic finance and accounting excites complexities of resource management, causes ambiguity in understanding financial transactions, creates interpretation problems in accounting information, and poses difficulties in managing seized transactions and exposed products. The non-observance of Fiqh Al-Muamalat principles in Islamic financial institutions is a concern that can lead to opportunistic behavior between the Foukaha – who specialize only in religious Shariah but are not qualified in accounting – and the other administrators of other governance mechanisms. Agency relationships can also arise between Shariah advisers and IBs' managers. Therefore, it delays the operation process and slows down the delivery of services to customers, leading to several disagreements between the Shariah advisers and the leadership team. Lack of necessary scientific knowledge can lead to potential disagreement when launching a new product in the market as its approval requires authorization from Shariah supervisors. Any type of upheaval, any such deviation, retraction, or reduction in its duties drops the advisers' independence and limits their ability to make objective judgments. This articulation directs decisions when interpreting accounting data, developing a new product, or announcing Fatawi, which can negatively affect the IBs' FP. As the information asymmetry explicitly feeds the advisers' independence and affects the advisers' wages from IBs, there appears to be a conflict of interest. Theoretically, if the SAB refuses a product or service, the IB's supervisors should remove it from its wallet in time.

In the presence of relational and behavioral nodes, Shariah experts must be highly aware, qualified in terms of intellectual training and experienced in Islamic banking and related financial sectors such as credit institutions, leasing companies and insurance corporations (Grassa, 2015; Hakimi et al., 2018; Hamza, 2016). Furthermore, the SAB members should ensure that all Islamic banking stakeholders (shareholders, management, employees, suppliers, depositors and community) give full confidence to the financial report (Haniffa & Hudaib, 2007). The SAB members must also have a good reputation which allows them to give depositors a better picture of the IB's credibility (Safiullah & Shamsuddin, 2018). Even more, this course is worthy of personal trust for stakeholders and facilitates the Fiqh rules' interpretation before giving Fatwa on financial transactions. This improves the supervision quality, especially in cases of compliance of the stakeholders' tasks with Islamic accounting and auditing standards.

In the same interest, the Fatwa proclamation requires good Islamic finance experts. The advisers' competence includes possession of a broad and exhaustive knowledge of previous and modern financial transactions. Also, the advisers should know about the invention of innovative products and their launch in the Islamic banking market. The hiring of members with Islamic accounting and/or financial expertise in the SAB develops more robustness in the understanding of banking operations and gives more rigor to the decisions taken and the issued Fatawi. In this sense, Naser and Pendlebury (1997) indicated that the advisers' selection based on Fiqh Al-Muamalat knowledge is associated with accounting and/or financial knowledge which allows promoting their independence when making decisions, issuing Fatawi and estimating the transactions' conformity between different parties.

Elgadi (2016) showed that the designation of doctoral degree holders in governance positions improves leadership understanding and decision-making techniques. Consequently, the proper training of IBs' Shariah advisers helps to maintain all stakeholders' rights and ensure the banks' functioning. It is very important to hire people with full training characterized by specific Shariah expertise and mastery of accounting and finance techniques (Al-Omar & Iqbal, 2000). Therefore, the SAB is a necessary governance tool to ensure the IBs' profitability in the short term and is essential to their long-term growth. However, neglect of Shariah principles can cause potential loss of investment income due to contract withdrawals and contract cancellations. This depreciation can affect the IB's asset values thus leading to lower profits (Hamza, 2013).

Abdullah et al. (2013) found that only 5/23 SAB verified the allocation of profit/loss share and the Zakat calculation validity. They explained this result by the insufficiency of the advisers' accounting and financial competence. Then, this lack of accounting and finance expertise qualifications may influence earnings because IBs are granted discretionary loan loss provisions which will affect their profit (Othman & Mersni, 2014). According to McDaniel et al. (2002), a SAB should be composed of financial experts likely to improve the financial information quality. After all, qualified scholars who have more financial and accounting knowledge and who have more experience are more efficient compared to scholars without skills (Abdul Rahman & Bukair, 2013), since they can influence positively the IBs' FP (Grassa, 2016; Matoussi & Grassa, 2012).

Based on the theoretical underpinnings of this variable, the SAB's expertise is expected to improve the banks' FP.

Hypothesis 3: *Ceteris paribus*, the accounting and financial competence of the SAB members has a positive effect on the IBs' FP.

3.4. Impact of the Number of meetings held by the Shariah Advisory Board on the Islamic Banks' Financial Performance

There are limited previous studies conducted to analyze the association between the number of meetings held by the SAB and FP (Aljughaiman & Salama, 2019; Alsartawi, 2019; Baklouti, 2020; Hendra, 2016). In their meetings, the SAB role is not limited to the simple control of religious transactions, products and services. Indeed, its main function also encompasses the continuous assessment of each transaction, reviewing all decisions of the BOD, the audit committee and the CEO, as well as approving all policies to ensure their compliance with the Shariah standards and the ethics code. In each meeting, SAB members are also required to audit financial records and take appropriate action at the agreed time. If the audit reveals non-Shariah-compliant business transactions, they will always prioritize the protection of profitability, liquidity, solvency and efficiency. SABs also focus on unprofitable, illiquid, non-solvent and inefficient transactions, as well as trends in decisions already made. In this case, they are responsible for correcting weaknesses, finding alternative financial transactions, and offering possible religious suggestions. In the SAB meetings, Shariah advisers should clarify any

ambiguities and answer all stakeholders' questions. In the event of Shariah violation and divergence, they are required to take appropriate corrective measures (Banaga et al., 1994).

Due to the SAB's wide range of responsibilities, commitments and burdens toward other stakeholders (central bank, investors, CEO, officers, directors, employees), advisers are required to meet daily in order to avoid all types of conflicts and continuously serve the requested verification of IBs' transactions. According to Shittu et al. (2016), the more frequent the SABs meetings, the quicker they discuss solutions to problems that suddenly come to the IBs. The intensive growth in the number of meetings held by the SAB means more supervision and stimulation of the IBs' FP. Therefore, this will lead to better and more efficient decision-making. Similarly, Baklouti (2020) studied the effect of the SAB characteristics on the IBs' FP in the Middle East and North Africa. She showed that the number of SAB meetings improves banks' FP. Moreover, Fitriana et al. (2019) examined the effect of SAB meetings on the IBs' FP in Indonesia between 2012 and 2017. They revealed that the number of SAB supervision days has a positive effect on the FP of Indonesian IBs.

Hypothesis 4: *Ceteris paribus*, the number of meetings held by the SAB has a positive effect on the IBs' FP.

4. Research methodology

This part articulates the study design and highlights the best statistical method that helps us to analyze the results according to the adopted methodology. Therefore, the main objective is to follow the supported methodology to answer the desired gap. The methodology applied in our study is an exploratory process by resorting to cylindrical panels. In the first step, we started by clarifying the datum sources. Second, we cited the variables' characteristics. Then, we exposed our models. After that, we specified the variables' effects. Finally, we interpreted the results.

4.1. Sample selection

The data collection process was guided by a desire to establish a relevant data selection process. We excluded missing observations from the start. The datum sources of the IBs' SAB were mainly collected from the annual reports published on their websites, the IBs' FP observations come from the DATASTREAM database, while observations relating to the control variables was obtained from the annual reports and from the world bank. The datum concerned 180 IBs over the period 2010–2019. In total, we worked on 1800 observations. The banks considered in our work are located in 5 continents and are issued from 56 countries.⁶ There are many reasons for choosing this period. First, we cite the stability of the national economic context between 2010 and 2019 and therefore the financial stability of IBs during the same period. Secondly, we cite the financial resistance of IBs against the consequences of the Subprime crisis due to the loneliness of their governance system based on the presence and the qualification of SAB as an additional governance mechanism compared to other types of banks.

4.2. The parameters to be explained

In this subsection, referring to the literature review, the dependent, the independent, and the control variables are described in Table 1.

4.3. Predictive model

In this subsection, we have presented our models which will allow us to summarize the correlation between FP measures and SAB's determinants. In what follows, we have exposed the complete models including also the control variables' list.

Model 1: Relation between IBs' liquidity and SAB quality:

$$L_{it} = \beta_0 + \beta_1 \text{LnTCOMCH}_{it} + \beta_2 \text{MAITCH}_{it} + \beta_3 \text{COMPMEMCH}_{it} + \beta_4 \text{LnREUCOMCH}_{it} + \beta_5 \text{INF}_{it} + \beta_6 \text{AG}_{it} + \beta_7 \text{TY}_{it} + \beta_8 \text{TA}_{it} + \varepsilon_{it} \quad (1)$$

Model 2: Relation between IBs' profitability and SAB quality:

$$\text{LnP}_{it} = \beta_0 + \beta_1 \text{LnTCOMCH}_{it} + \beta_2 \text{MAITCH}_{it} + \beta_3 \text{COMPMEMCH}_{it} + \beta_4 \text{LnREUCOMCH}_{it} + \beta_5 \text{INF}_{it} + \beta_6 \text{AG}_{it} + \beta_7 \text{TY}_{it} + \beta_8 \text{TA}_{it} + \varepsilon_{it} \quad (2)$$

Model 3: Relation between IBs' solvency and SAB quality:

$$\text{LnS}_{it} = \beta_0 + \beta_1 \text{LnTCOMCH}_{it} + \beta_2 \text{MAITCH}_{it} + \beta_3 \text{COMPMEMCH}_{it} + \beta_4 \text{LnREUCOMCH}_{it} + \beta_5 \text{INF}_{it} + \beta_6 \text{AG}_{it} + \beta_7 \text{TY}_{it} + \beta_8 \text{TA}_{it} + \varepsilon_{it} \quad (3)$$

Model 4: Relation between IBs' efficiency and SAB quality:

$$E_{it} = \beta_0 + \beta_1 \text{LnTCOMCH}_{it} + \beta_2 \text{MAITCH}_{it} + \beta_3 \text{COMPMEMCH}_{it} + \beta_4 \text{LnREUCOMCH}_{it} + \beta_5 \text{INF}_{it} + \beta_6 \text{AG}_{it} + \beta_7 \text{TY}_{it} + \beta_8 \text{TA}_{it} + \varepsilon_{it} \quad (4)$$

4.4. Descriptive statistics

Although the statistical results allow clarifying the complicated econometric calculations before studying the impacts of SABs on IBs' FP, we begin our analysis by making an interpretation of descriptive statistics of the different variables. Table 2 summarizes the statistics of dependent, independent and control variables related to our sample.

According to the results gathered in Table 2, for FP measures we have noticed that IBs are profitable (2.275) but with a high deviation of (0.94). By analogy, IBs revealed a positive and light efficiency of (0.49), with a variance equal to (0.63) which varies between a minimum of (−3.93) and a maximum of (4.77). Besides, on average, the IBs generated liquidity of (1.42), notwithstanding, their observed variance liquidity is very dynamic (0.88). Moreover, The IBs are insolvent at the mean of (0.49) with a standard deviation of (0.63). The same Table also shows the average aspects of the SAB determinants. First, the average SAB size is measured by the number of advisers on the SAB. Descriptive statistics have revealed that the average number of SAB members in IBs varies between (1) and (22) with a variance of (11.5). We also found that in IBs, the appointment variance of the mastery of Shariah principles by the SAB members measured by the number of Chouyoukh specialists in Fekh sitting on the SAB equal to (9.5) with a standard deviation of (0.53). Then, we saw that the scientific competence of SAB members measured by the number of specialists in Islamic accounting and/or finance serving on the SAB had a mean around (8) with an oscillation rate equal to (0.94). Finally, we emphasized that the number of meetings measured by the logarithm of the annual meetings held by the SAB is equal to (21.5) times, with a variance of (0.72). Table 2 also includes all the control variables' descriptive statistics. Beginning with the bank type, on average, among the three types of IBs highlighted (commercial, investment or universal), (2) IBs have monitored their FP regardless of the bank type, with a variance of (0.27), while the inflation showed that at a rate of (4.81), inflation can influence banking performance with a high variation of (0.93). Indeed, the analysis revealed that the average age of (21) can have an impact on the IBs' FP. Moreover, the average bank size measured by the natural logarithm of total assets is equal in IBs to (2.285) and varies with a standard deviation of (0.66).

Table 1. Presentation of FP parameters

The dependent variables		FP parameter	Label	Specific ratio	Baseline studies
	Liquidity	Liquidity	L	Net Loans/Total Assets	Smaoui et al. (2020); Haddad et al. (2021)
	Profitability	Profitability	P	Marginal Profit/Total Revenues	Haddad et al. (2019b); Saif-Alyousfi and Saha (2021)
	Solvency	Solvency	S	Total Loans/Total Deposits	Ola and Suzanna (2015); Haddad et al. (2019c)
	Efficiency	Efficiency	E	Operating Result/Average Total Assets	Haddad et al. (2019a); Ali Shah et al. (2021)
	SAB characteristic	SAB characteristic	Label	Unit of measure	Baseline studies
The independent variables	SAB size	SAB size	TCOMCH	Number of advisers on the SAB	Mollah and Zaman (2015); Safiullah and Shamsuddin (2018)
	Mastery of Shariah principles by the SAB members	Mastery of Shariah principles by the SAB members	MAITCH	Number of Chouyoukh specialists in Fekh sitting on the SAB	Ghayad (2008); Safiullah and Shamsuddin (2018)
	Scientific competence of SAB members	Scientific competence of SAB members	COMPMEMCH	Number of specialists in Islamic accounting and/or finance serving on the SAB	Nurhastuty & Shaista (2012); Hamza (2013)
	Number of meetings held by the SAB	Number of meetings held by the SAB	REUCOMCH	Annual meetings held by the SAB	Nurhastuty & Shaista (2012); Darmadi (2013b)
The Control variables	Control variable	Control variable	Label	Unit of measure	Baseline studies
	Inflation	Inflation	INF	The inflation rate in the country where the IB is located	Fang et al. (2019); Le et al. (2020)
	Bank age	Bank age	AG	Age of IB until relevant year	Arif et al. (2017); Aysan et al. (2017)
	Bank type	Bank type	TY	A qualitative variable with three forms: 1: The bank is commercial 2: The bank is investment 3: The bank is universal	Kim and Rasiah (2010); Charles et al. (2015)
	Bank size	Bank size	TA	Logarithm of total assets of IB	Keffala (2020); Smaoui et al. (2020)

Table 2. Descriptive statistics of IBs' sample

IBs' sample
N = 1800 Observations

Variable	Nombre d'observation	Moyenne (Mean)	Ecartype (Std.Dev.)	Min	Max
L	1800	1.42	0.88	0.60	2.25
LnP	1800	2.775	0.94	-0.28	5.83
LnS	1800	0.49	0.63	-3.81	4.79
E	1800	0.085	0.21	-0.29	0.46
TCOMCH	1800	11.5	0.86	1	22
MAITCH	1800	9.5	0.53	1	18
COMPMEMCH	1800	8	0.94	0	16
REUCOMCH	1800	21.5	0.72	0	43
LnINF	1800	4.81	0.93	-3.07	12.69
LnAG	1800	21	0.91	0	42
TY	1800	2	0.27	1	3
LnTA	1800	2.285	0.66	0.39	4.18

Table 3. Hausman Test of each model

Model type	χ^2	Prob> χ^2	Type d'effet
L Model	11.72	0.5164 >10%	Random effect model
LnP Model	13.85	0.2639 >10%	Random effect model
LnS Model	25.04	0.0007 <1%	Fixed effect model
E Model	23.30	0.0015 <1%	Fixed effect model

Table 4. Arellano-Bond endogeneity Tests per model

Model type	Number of observations	Endogeneity Test		Decision
		A.B.-Value	p-Value	
L Model	1800	0.7092	0.4611	There is no endogeneity bias
LnP Model	1800	3.8214	0.2596	There is no endogeneity bias
LnS Model	1800	1.6627	0.3473	There is no endogeneity bias
E Model	1800	-4.951	0.8162	There is no endogeneity bias

Based on the Arellano-Bond tests, we accepted the null hypothesis of no first-order autocorrelation for all our models.

4.5. Effects specification

Although the choice of the right method depends on the variables' type and quality as well as the correlation between them, we performed the necessary tests. In our case, as shown in Table 3, at the first step, it is possible to make estimations by considering the generated effects between the variables using the fixed and random effects method.

In the second step, according to Table 4, we tested the presence of endogeneity. Our results showed the absence of this constraint in all models.

Indeed, in the last step, as it appeared in Tables 5, 6, 7, and 8, we tested the presence of the multicollinearity, heteroscedasticity, and autocorrelation biases. As shown in the results, we found the absence of these econometric problems between the standard errors in all models.

4.6. Interpretation of the observed effects

Before deciding on the effects produced by the SAB quality, we need to identify the individual impacts generated by each SAB determinant in relation to the set of FP measures across multiple linear models. The SAB's impacts on the IBs' FP can be insignificant, positive or negative depending on the financial environment and the impact of other stakeholders on our incentive variables. So far, we have verified the significance of the explanatory impacts on the SAB quality in each model.

4.6.1. Effects of Shariah Advisory Board's quality on the Islamic banks' liquidity

Returning to Table 9, the estimated model relating to liquidity gave a dominant positive and significant impact at the 1% threshold resulting from several SAB determinants, such as LnTCOMCH, LnMAITCH and LnREUCOMCH. Exceptionally, LnCOMPMEMCH adversely affected the IBs' liquidity significantly at the 5% threshold as well. The control variables, and more precisely LnINF and TY, generated destructive and significant effects on liquidity at the respective thresholds of 1% and 5%, while the provided coefficients proved that LnAG and LnTA positively forced the IBs' liquidity at

Table 5. Variation Inflation Factor (VIF) Tests for the multicollinearity per model

Variable/Model	L VIF	LnP VIF	LnS VIF	E VIF
LnTCOMCH	2.86	2.46	1.35	2.94
LnMAITCH	2.15	2.85	1.84	2.60
LnCOMPMEMCH	1.42	1.72	2.66	1.46
LnREUCOMCH	1.29	1.15	2.14	1.53
LnINF	1.14	1.17	1.97	1.12
LnAG	1.03	1.34	2.61	1.37
TY	1.79	1.14	1.24	1.15
LnTA	1.46	1.58	1.08	1.39
Mean VIF	1.64	1.67	1.86	1.69

The analysis of VIF tests of all models revealed that there is no value exceeding the 5 threshold. The maximal recorded VIF average for the solvency model is equal to (1.86). In the L model, the highest recorded VIF is equal (2.86) for the LnTCOMCH. In the LnP model, we have found that the highest VIF is recorded by LnMAITCH (2.85). In the LnS model, we found that the highest VIF was reported by LnCOMPMEMCH (2.66). While for the E model, the highest VIF is equal (2.94) (LnTCOMCH).

the 1% threshold. This illustration convinced us to validate hypotheses n°1, n°2, and n°4. However, contrary to what is anticipated, we rejected the third hypothesis.

4.6.2. Effects of Shariah Advisory Board's quality on the Islamic banks' profitability

Based on the results of Table 10, we concluded that two determinants recorded negative impacts on the IBs' profitability which are LnCOMPMEMCH and LnREUCOMCH. The effects of these variables are significant at the thresholds of 5% and 1%. Nevertheless, LnTCOMCH and LnMAITCH showed positive and significant effects on the IBs' profitability at the same thresholds. Also, the control variables coefficients corresponding to the IBs' profitability show that only the effects of some variables are positive and significant on profitability such as LnAG and TY at the thresholds of 1% and 10%. However, LnINF and LnTA negatively affected the IBs' profitability at the respective significance thresholds of 5% and 1%. As expected, we confirmed hypotheses n°1 and n°2. Nevertheless, we have ignored the assumptions n°3 and n°4.

4.6.3. Effects of Shariah Advisory Board's quality on the Islamic banks' solvency

Based on Table 11, through the estimation of the solvency model, on the other hand, we found that three SAB determinants improved the IBs' solvency. The impacts of LnTCOMCH and LnREUCOMCH are significant with a threshold of 5%, but the impact of LnMAITCH is significant with a 1% threshold. On the other hand, LnCOMPMEMCH generated a negative and significant impact on solvency at the 10% threshold. Regarding the control variables, LnTA contributes significantly to the solvency power protection at the 1% threshold. Symmetrically, the other control variables reported prodigious negative effects, most notably, we cite, LnINF, LnAG, and TY. Notwithstanding the indicated impacts, we approved the part of the negative effects relative to LnINF and LnAG at the respective thresholds of 10% and 1%. Therefore, hypotheses n°1, n°2, and n°4 were confirmed. Otherwise, we rejected hypothesis n°3.

4.6.4. Effects of Shariah Advisory Board's quality on the Islamic banks' efficiency

Likewise, according to Table 12, the IBs' efficiency received various effects from SAB's determinants. We noticed that the impacts of LnTCOMCH, LnMAITCH, and LnREUCOMCH positively influenced the IBs' efficiency. Among these variables, no determinant showed a really significant and remarkable effect while LnCOMPMEMCH negatively influenced it at the 10% threshold. On the contrary, we mentioned that the trend of the effects relating to the control variables led to an improvement of the IBs' efficiency. Among these variables, LnAG and LnTA are significant at the 1% threshold, while the LnINF impact is significant at the 5% threshold. However, the TY effect revealed that this variable

Table 6. Multicollinearity Test (Spearman correlation matrix)

	L	LnP	LnS	E	LnTCOMCH	LnMATCH	LnCOMPMECH	LnREUCOMCH	LnINF	LnAG	TY	LnTA
L	1.0000											
LnP	0.0461 0.4528	1.0000										
LnS	0.4809* 0.0000	0.0134 0.5269	1.0000									
E	-0.0040 0.1430	0.2356* 0.0001	-0.2889* 0.0000	1.0000								
LnTCOMCH	0.1637* 0.0036	-0.1107* 0.0704	0.1292* 0.0218	-0.1167* 0.0385	1.0000							
LnMATCH	0.1282* 0.0229	-0.1651* 0.0068	0.0184 0.7452	-0.0332 0.5568	0.8784* 0.0000	1.0000						
LnCOMPMECH	-0.0208 0.7171	-0.1533* 0.0135	-0.0493 0.3904	0.0174 0.7616	0.7865* 0.0000	0.7657* 0.0000	1.0000					
LnREUCOMCH	0.0658 0.2550	0.0089 0.2881	0.0386 0.5048	0.0779 0.1779	0.2121* 0.0002	0.1940* 0.0007	0.1776* 0.0021	1.0000				
LnINF	-0.2851* 0.0000	-0.2621* 0.0000	-0.2538* 0.0000	0.1208* 0.0350	-0.0754 0.1889	-0.0381 0.5076	0.1098* 0.0592	-0.1107* 0.0592	1.0000			
LnAG	-0.0025 0.3655	0.1828* 0.0027	-0.0620 0.2741	0.3297* 0.0000	0.0138 0.4079	0.1605* 0.0044	0.0059 0.6186	0.0660 0.2549	0.1029* 0.0738	1.0000		
TY	-0.1769* 0.0016	0.0356 0.5615	-0.0217 0.7006	-0.0665 0.2389	-0.1310* 0.0200	-0.1538* 0.0062	0.0442 0.4412	0.1738* 0.0025	-0.0201 0.7266	-0.2066* 0.0002	1.0000	
LnTA	0.4264* 0.0000	0.0227 0.7143	0.2556* 0.0000	0.1179* 0.0379	0.2933* 0.0000	0.4045* 0.0000	0.2291* 0.0001	0.0780 0.1770	-0.1956* 0.0007	0.3178* 0.0000	-0.1476* 0.0093	1.0000

Table 7. Heteroscedasticity Tests per model					
Model type	Modified Wald Test	Breusch-Pagan Test	χ^2	Prob> χ^2	Heteroscedasticity
L Model	-	Breusch-Pagan Test	34.22	0.0000 <5%	Absence of the heteroscedasticity
LnP Model	-	Breusch-Pagan Test	30.14	0.0002 <5%	Absence of the heteroscedasticity
LnS Model	Modified Wald Test	-	4.2e+06	0.0017 <5%	Absence of the heteroscedasticity
E Model	Modified Wald Test	-	2.5e+06	0.0000 <5%	Absence of the heteroscedasticity
Based on the heteroscedasticity tests, no model has registered this problem.					

Table 8. Autocorrelation Tests per model						
Model type	Wooldridge Test	Durbin Watson Test	Fisher	$P > F$	Autocorrelation	Decision
L Model	-	Durbin Watson Test	0.439	0.5101 > 5%	Absence of autocorrelation	Random effect
LnP Model	-	Durbin Watson Test	5.078	0.2831 > 5%	Absence of autocorrelation	Random effect
LnS Model	Wooldridge Test	-	39.547	0.1632 > 5%	Absence of autocorrelation	Fixed effect
E Model	Wooldridge Test	-	9.40	0.4963 > 5%	Absence of autocorrelation	Fixed effect

Based on the autocorrelation results, all models signaled that there is no autocorrelation between the variables.

Table 9. Random Effect Results of the SAB's impacts on the IBs' liquidity

L_{it}	Coefficient	Std. Err.	Z	$P> z $	[95% Conf. Interval]	
LnTCOMCH	0.3544939	0.0931786	0.58	0.007***	0.1281327	0.2371205
LnMAITCH	0.2798778	0.0776623	0.77	0.000***	0.2120931	0.0923376
LnCOMPMEMCH	-0.0635027	0.0532571	-0.25	0.012**	-0.1178846	-0.0908793
LnREUCOMCH	0.1834428	0.0339297	0.10	0.009***	0.0630583	0.0699438
LnINF	-0.0400161	0.0206578	-0.97	0.033**	-0.0605046	-0.0204725
LnAG	0.083148	0.0237861	0.13	0.000***	0.0434718	0.0497678
TY	-0.035508	0.0364522	-0.97	0.016**	-0.1069529	-0.035937
LnTA	0.3270832	0.0950085	3.44	0.001***	0.1408699	0.5132965
Constant	-0.0655216	0.2133602	-0.31	0.759	-0.4837	0.3526568

negatively influenced banking efficiency, but it is insignificant. Therefore, we rejected all our assumptions.

4.7. Discussion of the impacts of the Shariah Advisory Board on the Islamic banks' financial performance

The separate impacts analysis did not give conclusive answers that either refute or confirm our hypotheses. Moreover, not all of the SAB's determinants revealed significant and similar effects on the FP measures. Therefore, we switched to another method of analysis. The need for an answer led us to establish an in-depth reconciliation between the effects of each SAB's determinant on all FP measures.

4.7.1. Shariah Advisory Board size

Referring to Table 13, our results against the previous literature confirmed the basic hypotheses. The SAB size revealed a positive combined effect on the IBs' FP (Ausat, 2018; Rahayu et al., 2019). The number of Shariah advisers positively impacted customers' opinions and the outcome of the IBs' assessment. Besides, the SAB size gives a good reputation to the IBs' users. The number of qualified SAB advisers is one of the determining criteria for the bank's reputation, in the sense that the larger the SAB size, the more customers' attention it attracts and the better it satisfies their needs and expectations. Despite the variation in the number of Shariah advisers from one IB in the sample to another, the first finding dealt with the designation of a maximum number of Shariah Foukaha and

Table 10. Random effect Results of the SAB's impacts on the IBs' profitability

LnP_{it}	Coefficient	Std. Err.	Z	$P> z $	[95% Conf. Interval]	
LnTCOMCH	1.405375	0.4510463	3.12	0.002***	0.5213406	2.28941
LnMAITCH	1.304607	0.3873213	3.37	0.016**	2.063743	0.5454716
LnCOMPMEMCH	-0.4625773	0.2486884	-0.25	0.011**	-0.5499975	0.424843
LnREUCOMCH	-0.1592187	0.1692598	-0.94	0.000***	-0.4909618	0.1725245
LnINF	-0.2708516	0.1107027	-2.45	0.014**	-0.4878248	-0.0538783
LnAG	0.4027589	0.129704	3.11	0.002***	0.1485436	0.6569741
TY	0.1887143	0.1389674	0.78	0.064*	0.1636568	0.3810854
LnTA	-0.2373851	0.445224	-0.08	0.003***	-0.9100082	-0.8352379
Constant	1.798464	1.042917	1.72	0.085	-0.2456164	3.842545

Table 11. Fixed Effect Results of the SAB's impacts on the IBs' solvency

LnS _{it}	Coefficient	Std. Err.	Z	P> z	[95% Conf. Interval]	
LnTCOMCH	0.991737	1.382132	0.72	0.017**	1.717191	3.700665
LnMAITCH	1.693332	1.153232	1.47	0.000***	3.953626	0.5669617
LnCOMPMEMCH	-0.2737004	0.7913144	-0.35	0.083*	-1.824648	1.277247
LnREUCOMCH	1.278726	0.5022494	2.55	0.011**	0.2943357	2.263117
LnINF	-0.1819077	0.3055242	-0.60	0.052*	-0.7807241	0.4169086
LnAG	-0.1315416	0.3543002	-0.37	0.000***	-0.8259572	0.5628741
TY	-0.080593	0.5480412	-0.02	0.785	-1.063548	1.084734
LnTA	1.827242	1.418797	4.81	0.000***	4.046451	9.608034
Constant	-15.07475	3.181105	-4.74	0.000	-21.3096	-8.839898

Table 12. Fixed Effect Results of the SAB's impacts on the IBs' efficiency

E_{it}	Coefficient	Std. Err.	Z	$P> z $	[95% Conf. Interval]	
LnTCOMCH	0.2583613	0.0159419	0.52	0.163	-0.0228843	0.0396068
LnMAITCH	0.198805	0.0128817	0.68	0.494	-0.0340526	0.0164427
LnCOMPMEMCH	-0.1423554	0.0087091	-0.27	0.096*	-0.0147141	0.0194249
LnREUCOMCH	0.0731295	0.0062028	0.50	0.614	-0.0090279	0.0152868
LnINF	0.0571386	0.0039727	0.03	0.018**	0.007925	0.0076478
LnAG	0.0647	0.0036832	3.99	0.000***	0.0074811	0.0219189
TY	-0.0019041	0.0045816	-0.42	0.678	-0.0108839	0.0070756
LnTA	0.1516217	0.0138421	0.84	0.001***	0.0155083	0.0387516
Constant	-0.0605963	0.0327138	-1.85	0.064	-0.1247142	0.0035216

Table 13. Summary of the impacts of SAB size on the IBs' FP

Variable	L	LnP	LnS	E	Combined impact	Decision
LnTCOMCH	+	+	+	+	+	H1 accepted

Table 14. Summary of the mastering Fekh-Shariah impacts on the IBs' FP

Variable	L	LnP	LnS	E	Combined impact	Decision
LnMAITCH	+	+	+	+	+	H2 accepted

Islamic Fiqh Al-Muamalat. Maximizing well-trained advisers improves the IBs' credibility, increases the SAB yield, and increases the SAB control quality in the eyes of their customers. Hence, these conditions lead to an improvement in their FP. In general, Shariah-related decision making is based on the consensus of several numbers of Shariah scholars rather than on the interpretation of a single adviser. Having a SAB with more scholars sends positive waves to customers, which means there is more transparency before decisions are made. In addition, large SABs are more capable of analyzing files and preparing more in-depth discussions of the conformity of such a product or project compared to Shariah standards. Although there are some newly created IBs in our sample, all the selected banks are large. However, their SABs size varies between one single advisor and 21 Shariah advisers. Despite the outliers and variability in the number of advisers between different SABs, generally, most of the large IBs managed to appoint a respectable number of experienced and well-known advisers in the Islamic banking market. By insisting on extreme sizes, the use of the best trained Shariah advisers ensures the IBs' reputation. Usually, a high number of advisers increases committee transparency and in particular the accounting information disclosure (Abdul Rahman & Bukair, 2013; Musibah & Alfattani, 2014; Winarsih & Robiyanto, 2020). Also, a SAB with a high membership exposes more cases to discuss and better verifies the degree of Islamic law application. This allows them to attract new customers, increase their deposits, and relatively improve their FP. In addition, applicable Islamic laws aim to protect the interests of investors. Compliance with regulations by institutions is essential to the efficiency and integrity of financial markets and to the structure of governance because all contributors of capital bear the gains and the risks of losses in proportion to their contributions (Sabri, 2014). Consequently, the processing of Islamic financing files highlights several intermediaries whose control requires a very large number of Shariah advisers. Furthermore, Islamic finance is ethical finance. Due to the abundance of activities and products prohibited by Shariah, no financing operation can be authorized when they suspend the list of illicit activities/products. The Islamic financial system prohibits the marketing, exchange, development, and investment in the production sectors of the following materials: Alcohol, Drugs, Tobacco and related products, Pork meat and its derivatives, Entertainment (Hotels, Casinos, Cinemas, Gambling, Music), Weapons and Defense, Traditional Financial Activities and Biotechnology (Human and Animal Genetic Engineering) and gold trading on a deferred basis. Furthermore, Islam prohibits all deferred exchanges of the same value/nature, gold for gold, silver for silver or currency for currency with the aim of promoting the well-being of people and generations to come. through the protection of their faith, their lives, their minds, their prosperity and their wealth. The verification of the conformity of all these exclusions undoubtedly requires a very large number of Shariah advisers. Even more, In Islamic finance, banking transactions are based only on tangible and identifiable assets for the maintenance of a close relationship with the real economy, combined with the prohibition of excessive uncertainty, this inherently limits the use of securities of debt and curbs the IBs' excessive indebtedness with a leverage effect (Tayyebi, 2009). Virtually all financial transactions must be backed by real, exchangeable assets, therefore derivatives are prohibited. As a result, IB cannot sell property it

Table 15. Summary of the impacts of the accounting and financial competence of SAB members on the IBs' FP

Variable	L	LnP	LnS	E	Combined impact	Decision
LnCOMPMEMCH	-.*	-.*	-.*	-.*	-	H3 rejected

does not own, nor sell assets before owning them. Therefore, maximizing the number of advisors is preferable in IBs helping to maximize their FP.

4.7.2. The mastery of Shariah principles by the Shariah Advisory Board members

Returning to Table 14, the analysis of the effect of Shariah advisers' presence in the SAB on the IBs' FP revealed a positive combined impact (Ramly & Nordin, 2018). This means that the mastery of the Shariah principles positively and significantly affected almost all the FP parameters already indicated. Moreover, focusing on details showed that the positive effect is explained by the Shariah standards' importance in maximizing FP except for their insignificant impact on the efficiency. This finding reflects that some Shariah principles bridge some prohibited financial transactions or some investments that contradict the practical Islamic investment techniques. Indeed, specialists in Shariah assured customers that the offered products are fully "HALAL", because they were approved by trustworthy and reputable supervisors in the field of Islamic finance. Since Islamic finance treats investment finance agreements on the basis of the profit and loss sharing principle, the approval of Islamic products (acceptance or rejection of the request) usually depends mainly on the degree of honesty and certainty of the credits' applicants. As a governance mechanism, the expertise of Shariah norms and the understanding of its details open new tendencies that can lead to effective, deterministic control results and improve the FP governance quality. Moreover, the conscience of the Chouyoukh members enables them to act at the opportune time against opportunistic behaviors and the intention to manage results. In addition, IBs escape from all offers of financial products and services that generate the payment of interest. This prohibition encompasses borrowing and receiving interest on loans at a fixed or predefined rate, regardless of the purpose for which the loan is made and regardless of the rate at which interest is charged (Bashir, 1999; Khan & Mirakhor, 1987; M.S. Khan, 1986; Martin & Heiko, 2010; Rosly & Bakar, 2003; Zighaba, 2009). According to Lewis (2008), ancient scholars of Islamic finance have pointed out several protective benefits behind the banning of interest that provides improved social utility and increased efficiency of interest-free banking. The Quran prohibits fixed interest in all Islamic usages, the prohibition has been mentioned in four verses regarding Riba in different occasions (Surah Al-Baqarah, Verse 275–281; Surah Al-Imran, Verse 130–142; Surah Al-Rum, Verse 37–39; Surah Al-Nisa, Verse 160–161). Moreover, according to the Shariah principles, all financial acts are subject to the control of Shariah advisers, uncertainty, and speculation (Gharar, Maysir). If the contract contains a violation, ambiguity or corruption that affects the product or service exchanged, the entire transaction will be considered void. IBs also prohibit the trading of financial risk on unauthorized products and services (considered a form of gambling), random gambling operations (can generate unjust enrichment at the expense of others), as well as, all sales of non-existent products, bets and lotteries. The IBs' operations are secured by fixed assets (Hammad, 2006), their investments lead to economic stability and contribute directly to gross domestic product. Overall, the presence of well-trained and reputable advisers who are Shariah specialists and registered in one of the most recognized international organizations helps the IBs to optimize the desired FP level. Therefore, the higher the number of Chouyoukh on the SAB, the better the IBs' FP.

4.7.3. Islamic accounting and financial competence of Shariah Advisory Board members

Based on the results of Table 15, we discovered that the combined effect of the presence of experts with accounting and financial skills in the SAB composition negatively affects the IBs' FP (Nomran et al., 2018). This is due to the discrepancies between what is requested from Fiqh Al-Muamalat's theoretical content and what is practically operated by Shariah advisers. Because the number of

Table 16. Summary of the meetings' number impacts held by the SAB on the IBs' FP

Variable	L	LnP	LnS	E	Combined impact	Decision
LnREUCOMCH	+	-	+	+	+	H4 accepted

qualified experts is limited, some IBs have resorted to recruiting experts in accounting/finance from other conventional banks or who have completed training just in conventional accounting/finance. Therefore, it is possible to explain the negative impact of the lack of synergy between Islamic accountants/financiers and some other members who are just trained in conventional accounting/finance within the SAB. The differences between academic training will systematically generate differences, inconsistencies and discrepancies in decisions even if there are no conflicts of interest or opportunistic behavior. As Abdul-Rahman et al. (2014) found, in an environment characterized by higher asymmetric information, IBs may be less eager to use PLS financing. All of this turns over time to upheavals in agency relationships and real conflicts of interest among SAB members. IBs differentiate themselves from their competitors through their reputations, their advisers' scientific qualification, and their official brands' recognition degree. Because the advisers' competence is considered as a determinant of the SAB quality, depositors, money lenders, as well as investors, do not take the risk of depositing, saving, investing or lending neither with bad reputable SAB, nor with bad reputable IBs. Nevertheless, the number of experts trained in Fiqh Al-Muamalat is very limited compared to the number of generalists in Islamic finance who are not aware of and familiar with the rules of Islamic currency exchanges, the accounting standards, financial records, Islamic investments provisions, Islamic financial techniques, maximizing FP methods, profitable products list and financial information disclosure. It is also possible that the negative effect on the FP arises from conflicts of interest between the SAB members and the other committees' members such as the audit committee, the remuneration committee, the nomination committee and the BOD. In countries with a better institutional environment, IBs might be more willing to use equity financing than in countries with a weaker institutional environment (Alam & Parinduri, 2017). Furthermore, according to the IBs, the profits are variable returns of capital depending on the results without there being interest to be reimbursed. The profits generated by the invested capital are distributed among the shareholders. The more profits the project makes, the better the returns on equity. The benefits can explain this negative impact by the possibility that specialists in accounting or finance are more able to use their strong knowledge, especially by non-specialists, for adverse selection purposes in order to manage the result or delay the sharing of dividends. The Quran has expressly forbidden usury, it classifies all forms of interest-bearing business as unfair dealings as long as the profits made on the loans and the rates of the counterparty are preconceived without risk, or if the profits are created without added value on behalf of the lender. According to Shariah, money has no intrinsic value as it is merely a medium of exchange and could not be a means of making a profit. Indeed, the Prophet Muhammad cursed the taker, the giver, the writer of the deed and the witness of the Riba. Indeed, Fiqh Al-Shariah considers that monetary remuneration is defined solely by the financed asset profitability. It is forbidden to demand profitability for the simple fact of lending. It excludes, in principle, fixed remuneration, disconnected from the financed assets' profitability. Moreover, Shariah's principles condemn the idea of risk-free reward and reject the time value of money. The borrower assumes a majority share of the risk due to the remuneration that he should pay to the lender regardless of the result of the financed asset. Financial products are margin-based (Choudhury et al., 2008). The lender will receive a fixed remuneration independent of the project's success or failure. Conversely, in the case of eminent profits resulting from a notable performance, the lender will keep the same negligible part of the profit (Ramachandran, 1989). Also, the registration of Islamic assets and debts is very complicated and detailed, it requires a very high knowledge level of specialists in Shariah. Islamic debts cannot be created by direct lending, borrowing money or other financial assets (Alimshan, 2009). The leased or sold asset must be real (construction, property, building or any other infrastructure) and the debt cannot be sold or transferred to someone else (Ryu et al., 2012). Debt is created through the sale or rental of real estate (Chapra, 2008). The procedure for creating

Islamic debts begins with the acquisition of real property and its storage, then IBs transfer them to customers and assume part of the risks associated with these assets (legal, commercial and market risks). Debt, sale of real assets and hire-purchase contracts are based on the transfer of ownership where the bank's remuneration is the margin between the sale price and the purchase cost. Among these contracts, we mainly cite the Murabaha, the Salam, the Istisna and the Ijara. Therefore, financial assets increase with the real assets' increase, which reduces the gap between the financial sphere and the real sphere. Moreover, another factor can negatively influence the IBs' FP. Despite the presence of competent experts in accounting or finance within the SAB whether they are specialists in Islamic finance or not, the prohibition of the interest collection does not mean that the capital costs nothing. Nevertheless, Islam recognizes capital as a production factor. The capital's excess can never be predetermined in the interest form, it always remains uncertain. In other words, investors do not have the right to demand a fixed rate of return. No one has the right to gain an added value on the principal if he does not share the involved risks (Ghayad, 2008). In conclusion, the higher the proportion of experts in Fiqh Al-Muamalat, the more negatively influenced the IBs' FP.

4.7.4. *The number of meetings held by the Shariah Advisory Board*

According to Table 16, maximizing the number of meetings is beneficial for all FP measures which resulted in a positive combined effect. This means that the higher the number of meetings, the better customers' credibility in financial statements (Alsartawi, 2019; Fitriana et al., 2019). The number of meetings is then a good indicator for the users of the IBs' financial statements, also reflecting the fair competition between IBs. Furthermore, the in-depth analysis of the detailed results revealed that the requirement to supervise the number of meetings held by the SAB is not completely respected by the SAB's advisers, especially on the collective IBs' profitability. However, it is possible that if the IBs do not correct this impact in the medium term, its effects can be reflected on the other indicators because of their interdependence with the profitability. Despite this short-term shortcoming, the analysis showed an overall positive effect on FP. The usual SAB meeting gives a good reputation to external economic agents and maintains the IBs' reputation. The number of meetings also plays an important psychological role for customers before making the choice of banking services. However, the insignificant positive effect of many SAB meetings on the IBs' effectiveness reflected either the insufficient number of average meetings compared to the required number of meetings, or the inefficiency of the content of the established meetings. Despite obtaining a combined positive impact on the FP, reality showed that some IBs made decisions regarding management services leaving the approval of other committees in second-order and as a secondary formality. Except for the impacts relating to liquidity and solvency, the explained situation appeared in the SAB's combined impact, particularly on profitability. Furthermore, In the Islamic economic system, money has no intrinsic value, it is only an asset-backed medium of exchange, money has no intrinsic value and its value cannot be increased. overtime if not invested (M.F. Khan, 1991; T.E. Ahmed, 2002). It is for this reason, the creation of the value of money can only be done through the usual processing of money permits and the modification of its time value as an attribute of measurement. Moreover, in Islamic contracts, operations whose equivalent value is not known exactly are not the subject of a contract, admission must be conditioned by the occurrence of an event that may or may not occur. Operations and transactions must have mandatory transparency so that the contract's parts are fully aware of their exchange values. The reason for the prohibition lies in the fact that these operations generate excessive risk, generating an imbalance between the losses and profits to the contract's parts (Moin, 2008). Also, IBs only market real assets or services. Under an Islamic system, money is a value measure and an exchange tool, but it is not a commodity that can be bought and sold for creating money. Money is an instrument that will facilitate wealth creation through direct investment and economic expansion (Mahmood, 2004). Ownership is the main justification for the profit generated, either by owning the asset or by selling it. Holding an asset makes its owner bear risks justifying his profit, which is why intermediation activities are highly regulated. According to Fiqh Al-Muamalat, IBs buy physical assets for their own account, therefore they pay registration fees. They then sell this asset to the customers for a premium upon ownership transfer, therefore the customers pay similar fees to the bank. To verify and validate a large number of assets, advisors

should maximize the number of SAB meetings. IBs mainly provide products based on the periodic Profit and Loss Sharing (PLS) between the IBs' stakeholders (Greuning & Iqbal, 2008). The PLS⁷ notion is a key concept in Islamic finance, as it reflects the religious values of Islam, namely justice, social equality and brotherhood. According to the Shariah rules, no one can claim any remuneration, without incurring part of the risks associated with the investment. According to the PLS principle, the parties to a financial transaction must equitably share the returns and related risks of any project. The mutuality introduced within IBs transforms its depositors into customers with some rightful ownership (Dar & Presley, 2000). The entrepreneurs share the profits and losses with the bank, which in turn shares the profits and losses with their depositors. Furthermore, the relationship between borrower, lender and intermediary is based on trust and financial partnership (Yudistira, 2004). The investor must entrust his funds to an entrepreneur with whom he/she will have to share the profits in proportion to the underlying asset performance. All losses must also be shared if they are not due to negligence or the contractor's error. The sharing is determined contractually and it may not be equal, but it must always be fair. According to the PLS model, the return rate on financial assets is not known or fixed before the entrepreneurial operation. Purchase and sale transactions are subject to a mark-up, on the profitability reference rate, the base rate generally determined on international markets. On the other hand, Islamic investment transfers direct risks to fund depositors but also exposes banks to other risks that were created by equity investors rather than debt holders (El-Qorchi, 2005), in this case, if the advisors' choice is not made on the qualification and competence bases, this will have bad consequences on the IBs' FP. Meanwhile, interest in SAB meetings needs concerted and regular work with the BOD to ensure the realization of the banks' goals in accordance with the Shariah ethical standards.

5. Conclusion

From the literature, the Shariah Advisory Board purpose normally contributes to improving the IBs' FP as their members were selected by the stakeholders (Al-Nasser & Muhammed, 2017; Toufik, 2015). Shariah Advisory Boards are responsible for controlling transactions, improving financial indicators, planning policies and making the best decisions. However, the presence of a negative impact from one or more determinants of the Shariah Advisory Board on one or more FP parameters negatively influences the total FP. Jointly, line managers are required to improve FP and maximize bank profits, but failure to perform duties affects the Shariah Advisory Board's credibility and feasibility, indicating that at least one Shariah Advisory Board determinant is weak and requires revision. In our study, the partial impacts change from one FP parameter to another. The Shariah Advisory Board generated either an insignificant positive impact or a significant negative impact on IBs' FP. This confirms the Shariah Advisory Board's insufficiency to improve the IBs' efficiency whatever the reasons.

Some Shariah scholars have better religious training, tacit knowledge of Islamic laws and a good reputation in Islamic banking markets. Nevertheless, they may not have scientific knowledge, while well-known academics are more likely to understand the Islamic banking implications. In our case, we recorded a negative compound impact relating to the presence of accountants/financial experts within the Shariah Advisory Board. The current finding provides the failure of this determinant to assume its responsibilities to ensure good FP, especially in the case of behavioral problems and complications loaded with conflicts of interest because the most educated director is expected to embrace uncertainty (Hambrick & Mason, 1984). In accordance with the results of Bakar (2016), the advisers' qualifications can affect the IBs' profitability on several points. Shariah Advisory Boards can be blamed for any operating loss that may arise, such as the calculation of the actual penalty resulting from late payments, Zakat accounting or also recommendations on provisions for profit reserves. Even more, IB is a fiduciary intermediary of people's money. A single part cannot alone bear all the risks associated with a transaction. The other part cannot claim the privilege of transferring all the risks to the other part. Profitability is a risk corollary, it is the main justification that must be shared between all the stakeholders' contracts of which, SAB members are among them who have the power to influence their effects

on FP. Consequently, FP remains a relative variable dependent on the Shariah Advisory Board's quality.

The obligation to set up a Shariah Advisory Board other than the BOD within an IB is part of the strengthening and support of their governance system. Two basic mechanisms within Islamic financial institutions defend agency relations and protect them in their regular activity. Ghayad (2008) considers that the Shariah Advisory Board is the substitute for conventional BODs. Whatever their qualifications, their goal is to improve banks' credibility and reputation in the eyes of their customers (Karim, 1990) and to maintain their independence towards all stakeholders (Farook et al., 2011). Like the external auditors, Shariah Advisory Board advisers are appointed by the IBs' shareholders in the general assembly, their remuneration is proposed by the managers and just approved by the BOD. However, the SAB has a dual role: advice and certification. Their main obligation is to ensure that transactions comply with Shariah principles and to protect the community and customers' interests (Siagh, 2002; Siagh et al., 2004). No structure replaces the other. Since the Shariah Advisory Board is an independent body, its advisers should not be under the authority of managers, BOD or shareholders (El-Nagar, 1980; Nienhaus, 2007). It is a separate Islamic governance authority, its presence does not reduce the authority nor the responsibilities of the BODs whose role is to ensure good governance practice (Khandelwal & Aljifri (2016)). In return, the BOD mainly defends the shareholders' interests, the market imperatives and the profit winners, to optimize the profits on investment, improve the banks' profitability, and meet the evolving needs of customers who regularly demand highly competitive products.

In the IBs' context, governance theories are not strongly developed. The literature did miss the importance of the actual Shariah Advisory Board's impacts on the IBs' FP. This raises an important question revolving around the feasibility and sufficiency of the Shariah Advisory Board's traditional structure compared to the optimal structure which puts Shariah Advisory Board legitimacy and credibility into question. The Shariah Advisory Board may suffer mainly from systematic failures that enhance its observable quality. These breaks can be linked to the assessment of Islamic accounting and financial data and the framing of the advisers' personalities. Therefore, despite the positive combined effect of the Shariah Advisory Board, to optimize the IBs' FP, we propose improving the Shariah Advisory Board's quality to better contribute to FP.

Having a Shariah Advisory Board in the Islamic banking market can lead to two-way axes that do not have a potentially decisive effect on FP. According to the social exchange theory, power is defined as the dependence and interdependence between actors (Blau, 1964). The power to manage, control, decide and rectify is based on the actors' contingency and their balanced, opportunistic or satisfied behavioral states, as well as the stakeholders' behavioral reactions. A better governance quality constitutes a force of dissuasion against manipulation and overrun by stakeholders. It is also an indicator of the growth of inevitable opportunistic behavior, which results in excessive risk-taking, the development of non-productive or toxic assets and overvaluation of provisions for losses on loans. The Shariah Advisory Board's quality is therefore not an objective, but if the Shariah Advisory Board has poor quality, it can also be a possible factor of results management, manipulation, a reason for the birth of opportunistic behavior, and above all a strong influence on the IBs' FP.

6. Research implications and limits

6.1. *Research implications

The main theoretical implication is to help researchers to inspire, create, and develop new theoretical models that can enhance the real impacts of the Shariah Advisory Board determinants on the IBs' FP. To achieve this involvement, we worked on large IBs that are listed on different stock exchanges around the world, which allows us to obtain reliable results. Yet, the first practical implication is that our results offer the possibility for IBs' customers to predict trends of their deposits and to estimate their projects' profitability from their IBs' FP. Our practical implication is that our conclusions will help policy-makers to evaluate any IBs' FP via their Shariah Advisory Board's quality and vice versa and to identify the impacts of the Shariah Advisory Board determinants on the IBs' stakeholders.

6.2. *Research limits

As we exposed the scientific values added to the IBs' governance literature, the critique of our research revealed that the chosen ratios to measure the banks' FP are limited compared to the exhaustive list of ratios. It is true that they allowed us to make a clear decision, but they do not provide a systemic view that encompasses in detail all banks' dimensions and does not reflect their real financial situations. Indeed, the good selection of only the listed IBs gives us very precise impacts but does not allow us to generalize these impacts since they represent only 25% of the total IBs operating worldwide.

7. Originality

Theoretical approaches in the Islamic finance literature formed a divergent and inconsistent system that did not truly value the importance of the Shariah Advisory Board's quality and practices. This is because the real impacts generated by the Shariah Advisory Board on the IBs' FP are not yet sufficiently discussed in detail and almost all previous studies investigated symptoms of impacts. In our study, we analyzed the practical and detailed Shariah Advisory Board's effects. Also, we provided the first detailed analysis that tried to solve the ambiguity of the impacts of the Shariah Advisory Board determinants quality on the IBs' FP. We confirmed that, in a stable financial period, IBs that have good Shariah Advisory Boards will generate higher FP and vice versa.

Acknowledgements

We would like to thank the journal editors, especially the anonymous reviewers for their evaluation of this paper.

Funding

The authors declare that this article has been written for purely scientific purposes and not for profit purposes. We did not receive funding from anybody to carry out this study.

Author details

Achraf Haddad¹
 E-mail: achraf.haddad2015@gmail.com
 ORCID ID: <http://orcid.org/0000-0002-5302-4618>
 Mohamed Naceur Souissi²

¹ Department of Accounting and Finance, Financial and Accounting Methods Teacher at the Higher Institute of Finance and Taxation of Sousse, Laboratory of Governance, Finance and Accounting at the Faculty of Economic Sciences and Management of Sfax, Tunisia.

² Department of Accounting and Finance, University of Sfax, Tunisia.

Citation information

Cite this article as: The impact of Shariah Advisory Board characteristics on the financial performance of Islamic banks, Achraf Haddad & Mohamed Naceur Souissi, *Cogent Economics & Finance* (2022), 10: 2062911.

Notes

1. A.A.O.I.F.I.: Accounting and Auditing Organization for Islamic Financial Institutions.
2. BOD: Board Of Directors.
3. ICU: Indonesian Council of Ulemas.
4. I.F.S.B.: Islamic Financial Services Board.
5. I.A.I.B.: International Association of Islamic Banks.
6. Saudi Arabia (9), Pakistan (8), Iran (8), Malaysia (7), Afghanistan (6), Bahrain (6), Qatar (6), Kuwait (6), United Kingdom (5), United Arab Emirates (5), Sudan (5), Yemen (5), Turkey (5), Bahamas (4), Jordan (4), Egypt (4), Singapore (4), Morocco (4), Iraq (4), Switzerland (4), Bangladesh (4), Indonesia (4), Kazakhstan (3), Algeria (3), Tajikistan (3), Germany (3), Brunei Darussalam (3), Senegal (3), Philippines (3), Ireland (3), Oman (3), USA (2), France (2), Mauritania (2), Libya (2), India (2), Tunisia (2), Luxembourg (2), Guinea (2), Nigeria (2), Lebanon (2),

Australia (2), Sri Lanka (1), South Africa (1), Russia (1), Niger (1), Canada (1), Mali (1), Thailand (1), Djibouti (1), Gambia (1), Denmark (1), Albania (1), Italy (1), Kenya (1), and Somalia (1).

7. PLS: Profit and Loss Sharing

Disclosure statement

No potential conflict of interest was reported by the author(s).

Data Availability

The scraped data are available in annual reports published on the website of each bank and from the Datastream database available at: <https://infobase.thomsonreuters.com/infobase/login/?next=/infobase/>

References

- A.A.O.I.F.I. (2004). *Shariah standards. Accounting and Auditing Organisation for Islamic Financial Institutions*.
- A.A.O.I.F.I. (2005). *Accounting, auditing and governance standards for Islamic financial Institutions. Accounting and Auditing Organisation for Islamic Financial Institutions*.
- A.A.O.I.F.I. (2006a). *Exposure draft of statement of governance principles for Islamic financial institutions. Accounting and Auditing Organisation for Islamic Financial Institutions*.
- A.A.O.I.F.I. (2006b). *Exposure draft of governance standard on Independence of Shariah supervisory Board. Accounting and Auditing Organisation for Islamic Financial Institutions*.
- A.A.O.I.F.I. (2006c). *Organization overview. Accounting and Auditing Organisation for Islamic Financial Institutions*. <http://www.aoofi.com>
- A.A.O.I.F.I. (2008). *Governance standards for Islamic financial institutions. Accounting and Auditing Organisation for Islamic Financial Institutions*. <http://www.aoofi.com>
- A.A.O.I.F.I. (2010d). *Governance standards for Islamic financial institutions No. 1: Shariah supervisory board, appointment, composition and report. Accounting and Auditing Organisation for Islamic Financial Institutions*.
- Abdul Rahman, A., & Bukair, A. A. (2013). The influence of the Shariah Supervision Board on corporate social

- responsibility disclosure by Islamic Banks of Gulf Co-Operation Council Countries. *Asian Journal of Business and Accounting*, 6(2), 65–104. <https://ajba.um.edu.my/index.php/AJBA/article/view/2678/877>.
- Abdul-Rahman, A., Abdul Latif, R., Muda, R., & Abdullah, M. A. (2014). Failure and potential of profit-loss sharing contracts: A perspective of New Institutional, Economic (NIE) Theory. *Pacific-Basin Finance Journal*, 28, 136–151. <https://doi.org/10.1016/j.pacfin.2014.01.004>
- Abdullah, W. A. W., Percy, M., & Stewart, J. (2013). Shari'ah disclosures in Malaysian and Indonesian Islamic banks. *Journal of Islamic Accounting and Business Research*, 4(2), 100–131. <https://doi.org/10.1108/JIABR-10-2012-0063>
- Abdullah, W. A. W., Percy, M., & Stewart, J. (2015). Determinants of voluntary corporate governance disclosure: Evidence from Islamic banks in the Southeast Asian and the Gulf Cooperation Council regions. *Journal of Contemporary Accounting & Economics*, 11(3), 262–279. <https://doi.org/10.1016/j.jcae.2015.10.001>
- Abu-Alkheil, A., Alomari, M., & Set-Abouha, B. (2021). The effect of financial leverage on banks' performance: Empirical evidence from a frontier market – The Amman Stock Exchange. *Afro-Asian Journal of Finance and Accounting*, 11(2), 198–221. <https://doi.org/10.1504/AAJFA.2021.10035544>
- Abu-Me'mer, F. (1994). The impact of Shariah supervision and its Independence on Islamic bank transactions. *Jordan Islamic Bank*.
- Abu-Tapanjeh, A. M. (2009). Corporate governance from the Islamic perspective : A comparative analysis with OECD principles. *Critical Perspectives on Accounting*, 20(5), 556–567. <https://doi.org/10.1016/j.cpa.2007.12.004>
- Ahmed, T. E. (2002). Accounting Issues for Islamic Banks. In R. A. Karim & S. Archer (Eds.), *Islamic finance: Innovation and growth*. Euromoney Books and (A.A.O. I.F.I.) (pp. 109–125).
- Ahmed, H. (2014). Islamic banking and Shari'ah compliance: A product development perspective. *Journal of Islamic Finance*, 3(2), 15–29. <https://doi.org/10.12816/0025102>
- Akkizidis, I. & Khandelwal, S.K. (2008). Financial Risk Management for Islamic Banking and Finance. Part of the Palgrave Macmillan Finance and Capital Markets Series book series (FCMS). DOI:10.1057/9780230598751
- Al-Mahmoud, A. (2007). Towards a systematic model of a policy for Shariah supervisory board. Paper presented at (A.A.O.I.F.I.) in the 6th Annual Conference of Shariah Board, pp. 1–36.
- Al-Nasser, S. A. S., & Muhammed, J. (2017). The relationship between agency theory, stakeholder theory and Shariah supervisory board in Islamic banking: An attempt towards discussion. *Humanomics*, 33(1), 75–83. <https://doi.org/10.1108/H-08-2016-0062>
- Al-Omar, F. A., & Iqbal, M. (2000). Some strategic suggestions for Islamic banking in the 21st century. Review of Islamic Economics. *Journal of the International Association for Islamic Economics and the Islamic Foundation*, 9, 37–56.
- Alam, N., & Parinduri, R. A. (2017). Do Islamic banks shift from mark-up to equity financing when their contracting environments are improved? *Applied Economics Letters*, 24(8), 545–548. <https://doi.org/10.1080/13504851.2016.1210759>
- Alhammadi, S., Alotaibi, K. O., & Hakam, D. F. (2020). Analysing Islamic banking ethical performance from Maqāsid al- Shariah perspective: Evidence from Indonesia. *Journal of Sustainable Finance and Investment*, 1–23. <https://doi.org/10.1080/20430795.2020.1848179>
- Ali Shah, S. A., Sukmana, R., & Fianto, B. A. (2021). Efficiencies in Islamic banking: A bibliometric and theoretical review. *International Journal of Productivity and Quality Management*, 32(4), 458–501. <https://doi.org/10.1504/IJPQM.2021.114268>
- Alimshan, F. (2009). Comparative analysis between Islamic banking and conventional banking firms in terms of profitability. Master of Science in Banking and Finance, Eastern Mediterranean University, Faculty of Business and Economics, Dept. of Banking and Finance, p.1–65. <http://hdl.handle.net/11129/107>
- Aljughaiman, A. A., & Salama, A. (2019). Do banks effectively manage their risks? The role of risk governance in the MENA region. *Journal of Accounting and Public Policy*, 38(5), 106680. <https://doi.org/10.1016/j.jaccpubpol.2019.106680>
- Almutairi, A. R., & Quttainah, M. A. (2017). Corporate Governance: Evidence from Islamic Banks. *Social Responsibility Journal*, 13(3), 601–624. <https://doi.org/10.1108/SRJ-05-2016-0061>
- Alsartawi, A. M. (2019). Performance of Islamic Banks: Do the Frequency of Shari'ah Supervisory Board Meetings and Independence Matter? *ISRA International Journal of Islamic Finance*, 11(2), 303–321. <https://doi.org/10.1108/IJIF-05-2018-0054>
- Arif, H., Khalil, Y. K., & Bilal, M. (2017). Risk taking behavior of commercial banks in Pakistan. *City University Research Journal*, 7(2), 317–333 https://www.researchgate.net/publication/319102865_risk_taking_behavior_of_commercial_banks_in_pakistan.
- Ariff, M. (2007). Islamic banking : A variation of conventional banking? *Monash Business Review*, 3(1) 1–8 <https://research.monash.edu/en/publications/islamic-banking-a-variation-of-conventional-banking/>.
- Ashraf, S., Robson, J., & Sekhon, Y. (2015). Consumer trust and confidence in the compliance of Islamic banks. *Journal of Financial Services Marketing*, 20(2), 133–144. <https://doi.org/10.1057/fsm.2015.8>
- Ausat, S. A. A. (2018). The Relationship Between Corporate Governance and Financial Performance in Islamic Banks. *Jurnal Ekonomi & Studi Pembangunan*, 19(2), 91–100 doi:10.18196/jesp.19.2.5001.
- Ayedh, A. M., & Echchabi, A. (2015). Shariah supervision in the Yemeni Islamic banks: A qualitative survey. *Qualitative Research in Financial Markets*, 7(2), 159–172. <https://doi.org/10.1108/QRFM-06-2014-0017>
- Aysan, A. F., Disli, M., Duygun, M., & Ozturk, H. S. (2017). *Islamic banks, deposit insurance reform, and market discipline: Evidence from a natural framework*. Working paper doi:10.1007/s10693-016-0248-z.
- Bakar, M. D. (2002). *The Shariah supervisory board and issues of Shariah rulings and their harmonisation in Islamic banking and finance*. In S. Archer & R. A. Karim (Eds.), *Islamic finance: Innovation and growth* (pp. 74–89). Euromoney Books.
- Bakar, M. D. (2016). *Shariah Minds in Islamic Finance*. Amanie Media, Kuala Lumpur.
- Baklouti, I. (2020). Is the Sharia supervisory board a friend or an enemy of Islamic banks? *Journal of Islamic Marketing* 13(2), 526–541 . <https://doi.org/10.1108/JIMA-04-2020-0118>
- Banaga, A., Ray, G., & Tomkins, C. (1994). *External audit and corporate governance in Islamic banks: A joint practitioner-academic research study*. Hants, Ashgate publishing limited.

- Bashir, A. H. M. (1999). Risk and profitability measures in Islamic banks: The case of two Sudanese banks. *Islamic Economics Studies*, 6(2), 1–26 http://eprc.sbu.ac.ir/File/Article/RISK%20AND%20PROFITABILITY%20MEASURES%20IN%20ISLAMIC%20BANKS%20THE%20CASE%20OF%20TWO%20SUDANESE%20BANKS_94277.pdf.
- Bhatti, M., & Bhatti, M. I. (2010). Toward understanding Islamic corporate governance issues in Islamic finance. *Asian Politics and Policy*, 2(1), 25–38. <https://doi.org/10.1111/j.1943-0787.2009.01165.x>
- Blau, P. (1964). *Exchange and power in social life*. Wiley, University of Chicago. Department of sociology.
- Chaar, A. M. (2008). Shariah: Guiding principles and strategy, in Islamic finance in France, a driving force for the economy, an ethical alternative. *Secure Finance*, 34.
- Chapra, M. U. (2008). The global financial crisis: Can Islamic finance help minimize the severity and frequency of such a crisis in the future? Paper presented at the forum on the global financial crisis. Islamic development bank, Jeddah.
- Chariri, A. (2019). Corporate governance and financial performance in Islamic banks: The role of the Sharia supervisory board in multiple-layer management. *Banks and Bank Systems*, 14(4), 183–191. [https://doi.org/10.21511/bbs.14\(4\).2019.17](https://doi.org/10.21511/bbs.14(4).2019.17)
- Charles, A., Darne, O., & Pop, A. (2015). Risk and ethical investment: Empirical evidence from down Jones Islamic indexes. *Research in International Business and Finance*, 35(C), 33–56. <https://doi.org/10.1016/j.ribaf.2015.03.003>
- Chen, C. J. P., & Jaggi, B. (2000). Association between independent non-executive directors, family control and financial disclosures in Hong Kong. *Journal of Accounting and Public Policy*, 19(4–5), 285–310. [https://doi.org/10.1016/S0278-4254\(00\)00015-6](https://doi.org/10.1016/S0278-4254(00)00015-6)
- Choudhury, M. A., Harahap, S., & Mansoor Khan, M. (2008). Interrelationship between Zakat, Islamic bank and the economy: A theoretical exploration. *Managerial Finance*, 34(9), 610–617. <https://doi.org/10.1108/03074350810890967>
- Choudhury, M. A., & Hoque, M. Z. (2006). Corporate governance in Islamic perspective. *Journal of Corporate Governance*, 6(2), 116–128. <https://doi.org/10.1108/14720700610655132>
- Dar, H. A., & Presley, J. R. (2000). Lack of profit loss sharing in Islamic banking: Management and control imbalances. *International Journal of Islamic Financial Services*, 2(2), 3–18 <https://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.196.5571&rep=rep1&type=pdf>.
- Darmadi, S. (2013b). Corporate governance disclosure in the annual report: An exploratory study on Indonesian Islamic banks. *Humanomics*, 29(1), 4–23. <https://doi.org/10.1108/08288661311299295>
- Delorenzo, Y. T. (2007). Shariah compliance risk. *Journal of International Law*, 7(2), 1–12 <https://chicagounbound.uchicago.edu/cjil/vol7/iss2/4>.
- Dusuki, A. W., & Abdullah, N. I. (2007). Why do Malaysian customers patronise Islamic banks? *International Journal of Bank Marketing*, 25(3), 142–160. <https://doi.org/10.1108/02652320710739850>
- El-Nagar, A. A. (1980). One hundred questions and one hundred answers concerning Islamic banks. In *International association of Islamic banks*.
- El-Qorchi, M. (2005). Islamic finance gears up—while gaining ground, the industry faces unique regulatory challenges. *Finance and Development Magazine IMF*, 42(4) <https://www.elibrary.imf.org/view/journals/022/0042/004/article-A016-en.xml>.
- Elgadi, E. (2016). *Assessing the financial performance of Islamic banking: the case of Sudanese banks*. PhD thesis. University of east London.
- Fahmi, S. A. (2012). An empirical investigation into the role, independence and effectiveness of Shariah boards in the Malaysian Islamic banking industry. PhD thesis. Cardiff University.
- Fang, J., Lau, C. K. M., Lu, Z., Tan, Y., & Zhang, H. (2019). Bank performance in China: A perspective from bank efficiency, risk-taking and market competition. *Pacific-Basin Finance Journal*, 56(C), 290–309. <https://doi.org/10.1016/j.pacfin.2019.06.011>
- Faradila, A., & Cahyati, A. D. (2013). Analisis manajemen laba pada perbankan syariah. *Jurnal Riset Akuntansi Keuangan*, 4(1), 57–74 <https://media.neliti.com/media/publications/4447-ID-analisis-manajemen-laba-pada-perbankan-syariah.pdf>.
- Farag, H., Mallin, C., & Ow-Yong, K. (2018). Corporate governance in Islamic Banks: New insights for dual board structure and agency relationships. *Journal of International Financial Markets, Institutions and Money*, 54, 59–77. <https://doi.org/10.1016/j.intfin.2017.08.002>
- Farook, S., Hassan, M. K., & Lanis, R. (2011). Determinants of corporate social responsibility disclosure: The case of Islamic banks. *Journal of Islamic Accounting and Business Research*, 2(2), 114–141. <https://doi.org/10.1108/1759081111170539>
- Fitriana, R., Yulianto, A., & Solikhah, B. (2019). Are characteristics of sharia supervisory boards able to improve the performance of Islamic banking? *Journal of Islamic Accounting and Finance Research*, 1(1), 1–24. <https://doi.org/10.21580/jiafr.2019.1.1.3753>
- Gaali, J. M. (2015). The application of corporate and Shariah governance in Islamic financial institutions: a case study from Malaysia. PhD thesis. University of Aberdeen.
- Garas, S. N. (2010). The role of the Shari'a Supervisory Board in the governance of Islamic Financial Institutions in the Gulf Cooperation Council Countries. *Corporate Ownership and Control*, 8(1), 247–266. <https://doi.org/10.22495/cocv8i1c2p1>
- Garas, S. N. (2012). The conflicts of interest inside the Shariah supervisory board. *International Journal of Islamic and Middle Eastern Finance and Management*, 5(2), 88–105. <https://doi.org/10.1108/17538391211233399>
- Garas, S. N., & Pierce, C. (2010). Shariah supervision of Islamic financial institutions. *Journal of Financial Regulation and Compliance*, 18(4), 386–407. <https://doi.org/10.1108/13581981011093695>
- Gati, V., & Basuki, B. (2020). Shariah supervisory board, the political connection and performance. *Revista ESPACIOS*, 41(22), 365–378 <http://www.revistaespacios.com/a20v41n22/a20v41n22p25.pdf>.
- Ghayad, R. (2008). Corporate governance and the global performance of Islamic banks. *Humanomics*, 24(3), 207–216. <https://doi.org/10.1108/08288660810899368>
- Ginena, K., & Hamid, A. (2015b). *Foundations of Shari'ah Governance of Islamic Banks*. John Wiley & Sons Ltd, Chichester, West Sussex.
- Grace, M., Ireland, A., & Dunstan, K. (1995). Board composition, non-executive directors' characteristics and corporate financial performance. *Asian-Pacific Journal of Accounting*, 2(1), 121–158. <https://doi.org/10.1080/10293574.1995.10510481>
- Grais, W., & Pellegrini, M. (2006). *Corporate governance and Shariah compliance in institutions offering Islamic financial services*. World bank policy research. Working paper No. 4054.

- Grassa, R. (2015). Shari'ah supervisory systems in Islamic finance institutions across the OIC member countries: An investigation of regulatory frameworks. *Journal of Financial Regulation and Compliance*, 23(2), 135–160. <https://doi.org/10.1108/JFRC-02-2014-0011>
- Grassa, R. (2016). Corporate governance and credit rating in Islamic banks: Does Shariah governance matters? *Journal of Management and Governance*, 20(4), 875–906. <https://doi.org/10.1007/s10997-015-9322-4>
- Greuning, V. H., & Iqbal, Z. (2008). Risk analysis for Islamic banks. *J.K.A.U., Islamic Economics*, 22(1), 197–204 https://iei.kau.edu.sa/Files/121/Files/153880_IEI-VOL-22-1-09E-BRIslahi.pdf.
- Haddad, A., El Ammari, A., & Bouri, A. (2019a). Comparative study of ambiguity resolution between the efficiency of Conventional and Islamic banks in a stable financial context. *International Journal of Economics and Financial Issues*, 9(5), 111–129. <https://doi.org/10.32479/ijefi.8623>
- Haddad, A., El Ammari, A., & Bouri, A. (2019b). Are the Islamic banks really more profitable than the Conventional banks in a financial stable period? *Asian Economic and Financial Review*, 9(8), 994–1018. <https://doi.org/10.18488/journal.aefr.2019.99.994.1018>
- Haddad, A., El Ammari, A., & Bouri, A. (2019c). Are Islamic banks really more solvent than conventional banks in a financial stable period? *Asian Journal of Finance and Accounting*, 11(2), 15–41. <https://doi.org/10.5296/ajfa.v11i2.15149>
- Haddad, A., El Ammari, A., & Bouri, A. (2021). Comparative study between conventional and Islamic banks' liquidity after the Subprime Crisis. *International Journal of Financial Engineering*, 8(1), 1–37.
- Hakimi, A., Rachdi, H., Ben Selma Mokni, R., & Hssini, H. (2018). Do board characteristics affect bank performance? Evidence from the Bahrain Islamic banks. *Journal of Islamic Accounting and Business Research*, 9(2), 251–272. <https://doi.org/10.1108/JIABR-06-2015-0029>
- Hambrick, D. C., & Mason, P. A. (1984). Upper echelons: The organization as a reflection of its top managers. *Academy of Management Review*, 9(2), 131–149. <https://doi.org/10.2307/258434>
- Hameed, S. (2009). *Accounting and auditing for Islamic financial institutions*. IIUM Press. Kuala Lumpur.
- Hammad, H. (2006). *Sharia supervision in Islamic banks*. Editor: Dar Al Nafa'is, Editor.
- Hamza, H. (2013). Shariah governance in Islamic banks: Effectiveness and supervision Model. *International Journal of Islamic and Middle Eastern Finance and Management*, 6(3), 226–237. <https://doi.org/10.1108/IMEFM-02-2013-0021>
- Hamza, H. (2016). Does investment deposit return in Islamic banks reflect PLS principle? *Borsa Istanbul Review*, 16(1), 32–42. <https://doi.org/10.1016/j.bir.2015.12.001>
- Hanif, M. (2011). *Islamic Banking: Financial Reporting Perspective*, Amazon France, 354 pages.
- Haniffa, R., & Hudaib, M. (2007). Exploring the ethical identity of Islamic banks via communication in annual reports. *Journal of Business Ethics*, 76(1), 97–116. <https://doi.org/10.1007/s10551-006-9272-5>
- Hasan, Z. (2009). Regulatory framework of Shari'ah governance system in Malaysia, GCC countries and the UK. *Kyoto Bulletin of Islamic Area Studies*, 3(2), 82–115 https://kias.asafas.kyoto-u.ac.jp/1st_period/contents/pdf/kb3_2/07zulkifli.pdf.
- Hasan, Z. (2011). A survey on Shariah governance practices in Malaysia, GCC countries and the UK—critical appraisal. *International Journal of Islamic and Middle Eastern Finance and Management*, 4(11), 30–51. <https://doi.org/10.1108/17538391111122195>
- Hasan, Z. (2012). Corporate governance in Islamic financial institutions: An ethical perspective. *Prime Journals of Business Administration and Management (BAM)*, 2(1), 405–411 <https://mpr.ub.uni-muenchen.de/56262/>.
- Hassan, A., & Sofian, S. H. (2010). Exploring corporate social responsibility disclosure: The case of Islamic banks. *International Journal of Islamic and Middle Eastern Finance and Management*, 3(3), 203–227. <https://doi.org/10.1108/17538391011072417>
- Hendra, G. I. (2016). Analysis of the effect of Shariah Supervisory Board (SSB) function on earning quality of Islamic Banks. *Tazkia Islamic Finance and Business Review*, 10(2), 143–161 doi:10.30993/tifbr.v10i2.109.
- I.F.S.B. (2009). *The Islamic Financial Services Board*. Viewed online on 5 January 2009 at: <http://www.ifsb.org>
- Islam, M. A., & Deegan, C. (2008). Motivations for an organisation within a developing country to report social responsibility information: Evidence from Bangladesh. *Accounting, Auditing and Accountability Journal*, 21(6), 850–874. <https://doi.org/10.1108/09513570810893272>
- Kabir, H. M., Al-Farooque, O., & Mollah, S. (2014). *Corporate governance, risk-taking and firm performance of Islamic banks during global financial crisis*. Finance and development in Islamic economies conference.
- Karim, R. A. A. (1990). The Independence of religious and external auditors: The case of Islamic banks. *Accounting, Auditing and Accountability*, 3(3), 34–44 doi:10.1108/09513579010004097.
- Karim, R. A. A. (2001). The nature and rationale of a conceptual framework for financial reporting by Islamic banks. *Accounting and Business Research*, 25 (100), 285–300. <https://doi.org/10.1080/00014788.1995.9729916>
- Keffala, M. R. (2020). How using derivative instruments and purposes affects performance of Islamic banks? Evidence from CAMELS approach. *Global Finance Journal* 50(C) , 1–13. <https://doi.org/10.1016/j.gjf.2020.100520>
- Khan, M. S. Islamic interest-free banking: A theoretician analysis. (1986). *Staff Papers of the IMF*, 33(1), 1–27. DM/85754. <https://doi.org/10.2307/3866920>
- Khan, M. F. (1991). Time value of money and discounting. *Review of Islamic Economics*, 1(2), 35–54 <http://cite.seerx.ist.psu.edu/viewdoc/download?doi=10.1.1.453.6363&rep=rep1&type=pdf>.
- Khan, M. S., & Mirakhor, A. (1987). *Theoretical studies in islamic banking and finance*. The institute for research and islamic studies.
- Kim, P. K., & Rasiah, D. (2010). Relationship between corporate governance and bank performance in Malaysia during the pre and post Asian financial crisis. *European Journal of Economics, Finance and Administrative Sciences*, 21(1), 39–63 http://www.researchgate.net/publication/287836442_Relationship_between_corporate_governance_and_bank_performance_in_Malaysia_during_the_pre_and_post_Asian_financial_crisis.
- Le, T. N. L., Nasirb, M. A., & Huynh, T. L. D. (2020). Capital requirements and banks performance under Basel-III: A comparative analysis of Australian and British Banks. *Quarterly Review of Economics and Finance*, 1–38 doi:10.1016/j.qref.2020.06.001.
- Lewis, M. K. (2005). Islamic corporate governance. *Review of Islamic Economics*, 9(1), 5–29 <https://iaif.ir/images/khareji/articles/bank/77.pdf>.
- Lewis, M. K. (2008). In what ways does islamic banking differ from conventional finance? *Journal of Islamic Economics, Banking and Finance*, 4(3), 9–24 http://ibtra.com/pdf/journal/v4_n3_article1.pdf.

- Maali, B., Casson, P., & Napier, C. (2006). Social reporting by Islamic banks. *ABASCUS (A Journal of Accounting, Finance and Business Studies)*, 42(2), 266–289. doi:10.1111/j.1468-4497.2006.00200.x.
- Mahmood, A. (2004). Islamic versus traditional banking in Arab regions: Premises and promises. In *Paper submitted to the International Seminar on the prospects of Arab economic cooperation*.
- Martin, C., & Heiko, H. (2010). Islamic banks and financial stability: An empirical analysis. *Journal of Financial Services Research*, 38(2), 95–113. <https://doi.org/10.1007/s10693-010-0089-0>
- Masruki, R., Hanefah, M. M., & Wahab, N. A. B. (2018). Shariah Supervisory Board (SSB) and Performance of Islamic Banks in Malaysia. *International Journal of Engineering and Technology*, 7(3.25), 710–714. doi:10.14419/ijet.v7i3.25.17831.
- Matoussi, H., & Grassa, R. (2012). Is corporate governance different for Islamic banks? A comparative analysis between the Gulf cooperation council context and the Southeast Asia context. *The Economic Research Forum*, 734(1), 2–28 <https://erf.org.eg/publications/corporate-governance-different-islamic-banks-comparative-analysis-gulf-cooperation-council-context-southeast-asia-context/>.
- McDaniel, L., Martin, R. D., Maines, L. A., & Peecher, M. E. (2002). Evaluating financial reporting quality: The effect of financial expertise vs financial literacy. *The Accounting Review*, 77(s–1), 139–167. <https://doi.org/10.2308/accr.2002.77.s-1.139>
- Mervyn, L. K. (2007). Islamic banking in theory and practice. *Monash Business Review*, 3(1), 1–8 <http://www.iefpedia.com/english/wp-content/uploads/2009/10/Islamic-Banking-in-Theory-and-Practice.pdf>.
- Meslier, C., Risfandya, T., & Tarazi, A. (2020). Islamic banks' equity financing, Shariah supervisory board, and banking environments. *Pacific-Basin Finance Journal*, 62 (C) , 101354. <https://doi.org/10.1016/j.pacfin.2020.101354>
- Moin, M. S. (2008). *Financial performance of islamic banking and conventional banking in Pakistan: A comparative study*. Master degree project, School of technology and society, University of Skovde.
- Mollah, S., & Zaman, M. (2015). Shariah supervision, corporate governance and performance: Conventional vs. Islamic banks. *Journal of Banking and Finance*, 58(1), 418–435. <https://doi.org/10.1016/j.jbankfin.2015.04.030>
- Mukhibad, H., & Anisykurlillah, I. (2020). Evaluation study: Does the Sharia Supervisory Board have a direct effect on profitability? *Muqtasid*, 11(1), 55–69. <https://doi.org/10.18326/muqtasid.v11i1.55-69>
- Musibah, A., & Alfattani, W. (2014). The mediating effect of financial performance on the relationship between Shariah Supervisory Board effectiveness, intellectual capital and corporate social responsibility, of Islamic Banks in Gulf Cooperation Council Countries. *Asian Social Science*, 10(17), 139–164. <https://doi.org/10.5539/ass.v10n17p139>
- Naser, K., & Pendlebury, M. (1997). The influence of Islam on bank financial reporting. *International Journal of Commerce and Management*, 7(2), 56–83. <https://doi.org/10.1108/eb047349>
- Nienhaus, V. (2007). Governance of Islamic banks. In M. Kabir-Hassan & M. K. Lewis (Eds.), *Hand book of Islamic Banking* (pp. 128–143). Edward Elgar.
- Nomran, N. M., & Haron, R. (2020). Shari'ah supervisory board's size impact on performance in the Islamic banking industry: An empirical investigation of the optimal board size across jurisdictions. *Journal of Islamic Accounting and Business Research*, 11(1), 110–129. <https://doi.org/10.1108/JIABR-05-2017-0070>
- Nomran, N. M., Haron, R., & Hassan, R. (2017). Bank Performance and Shari'ah Supervisory Board Attributes by Islamic banks: Does bank size matter? *Journal of Islamic Finance*, 6(Special Issue), 174–187. <https://doi.org/10.12816/0047348>
- Nomran, N. M., Haron, R., & Hassan, R. (2018). Shari'ah Supervisory Board characteristics effects on Islamic Banks' Performance: Evidence from Malaysia. *International Journal of Bank Marketing*, 36(2), 290–304. <https://doi.org/10.1108/IJBM-12-2016-0197>
- Noor, K. T. (2011). *A study of customers' perception and attitude to Islamic banking: products, services, staff, Shariah board and marketing in five countries*. PhD thesis. University of Aberdeen.
- Nurhastuty, W., & Shaista, A. (2012). *The role of Shariah board in Islamic banks: A case study of Malaysia, Indonesia and Brunei Darussalam*. In 2nd ISRA Colloquium 2012.
- Ola, A., & Suzanna, E. M. (2015). Banking sector performance: Islamic and conventional banks in the UAE. *International Journal of Information Technology and Business Management*, 36(1), 69–81 https://www.researchgate.net/publication/281377798_BANKING_SECTOR_PERFORMANCE_ISLAMIC_AND_CONVENTIONAL_BANKS_IN_THE_UAE.
- Onakoya, A. B., & Onakoya, A. O. (2013). The performance of conventional and islamic banks in the United Kingdom: A comparative analysis. *Journal of Research in Economics and International Finance (JREIF)*, 2(2), 29–38 <https://www.interesjournals.org/articles/the-performance-of-conventional-and-islamic-banks-in-the-united-kingdom-a-comparative-analysis.pdf>.
- Othman, H. B., & Mersni, H. (2014). The use of discretionary loan loss provision by Islamic banks and conventional banks in the Middle East Region. *Studies in Economics and Finance*, 31(1), 106–128. <https://doi.org/10.1108/SEF-02-2013-0017>
- Qutainah, M. A., song, L., & Wu, Q. Do Islamic banks employ less earnings management? (2013). *Journal of International Financial Management & Accounting*, 24(3), 203–233. 12011. <https://doi.org/10.1111/jifm>
- Rahayu, R., Rasyid, S., & Sabir. (2019). The effect of Sharia Supervisory Board on financial performance, with Islamic social reporting as the intervening variable. *Quest: Journal of Research in Business and Management*, 7(1), 69–72 <https://www.questjournals.org/jrbm/papers/vol7-issue1/K07016972.pdf>.
- Ramachandran. (1989). Banking regulation and islamic finance. *Economic and Political Weekley*, 24(51–52), 2835–2840 <https://www.epw.in/journal/1989/51-52/special-articles/banking-regulations-and-islamic-finance.html>.
- Ramly, Z., & Nordin, N. D. H. M. (2018). Sharia Supervision Board, Board Independence, Risk Committee and Risk-taking of Islamic Banks in Malaysia. *International Journal of Economics and Financial Issues*, 8(4), 290–300 <https://www.econjournals.com/index.php/ijefi/article/view/6726>.
- Rammal, H. G. (2012). The important of Shariah supervision in islamic financial institutions. *Corporate Ownership and Control*, 3(3), 204–208. <https://doi.org/10.22495/cocv3i3c1p5>
- Rini, R. (2014). The effect of audit committee role and Islamic supervisory board role on financial reporting

- quality at Islamic banks in Indonesia. *Journal of Economics, Business, and Accountancy/ Ventura*, 17(1), 145–156. <https://doi.org/10.14414/jebav.v17i1.273>
- Rosly, S. A., & Bakar, M. A. A. (2003). Performance of Islamic and mainstream banks in Malaysia. *International Journal of Social Economics*, 30(12), 1249–1265. <https://doi.org/10.1108/03068290310500652>
- Ryu, K. P., Piao, S. Z., & Nami, D. (2012). A comparative study between the Islamic and conventional banking systems and its implications. *Scholarly Journal Business Administration*, 2(5), 48–54 <https://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.1065.8603&rep=rep1&type=pdf>.
- Sabri, M. (2014). Liquidity creation and liquidity risk exposures in the banking sector: A comparative exploration between Islamic, conventional and hybrid banks in the gulf corporation council region. PhD thesis. Durham University.
- Saeed, A. 1996. *Islamic banking and interest: A study of the prohibition of riba and its contemporary interpretation* In E. J. Brill (Eds.), Vol. 2. (pp.169). de Studies in Islamic Law and Society.
- Safieddine, A. (2009). Islamic financial institutions and corporate governance: New insights for agency theory. *International Review*, 17(2), 142–158 doi:10.1111/j.1467-8683.2009.00729.x.
- Safiullah, M. D., & Shamsuddin, A. (2018). Risk in Islamic banking and corporate governance. *Pacific-Basin Finance Journal*, 47(C), 129–149. <https://doi.org/10.1016/j.pacfin.2017.12.008>
- Saif-Alyousfi, A. Y. H., & Saha, A. (2021). Determinants of banks' risk-taking behavior, stability and profitability: Evidence from GCC countries. *International Journal of Islamic and Middle Eastern Finance and Management*, 14(5), 874–907. <https://doi.org/10.1108/IMEFM-03-2019-0129>
- Shittu, I., Ahmad, A. C., & Ishak, Z. (2016). Board Characteristics and Earnings per Share of Malaysian Islamic Banks. *International Journal of Economics and Financial Issues*, 6(S6), 135–137 <https://www.econjournals.com/index.php/ijefi/article/view/3142>.
- Siagh, L. (2002). *Le fonctionnement des organisations dans les milieux de culture intense, le cas des banques islamiques*. PhD thesis, HEC. University of Montreal.
- Siagh, L., Diallo, O. A., & Hafsi, T. (2004). Intense environment and strategic choice: The case of Islamic banks. *French Management Review*, 17(12), 119–140 <https://www.cairn.info/revue-francaise-de-gestion-2007-2-page-119.htm>.
- Simon, A., Abdel Karim, R.A., & Al-Deehani, T. (1998). Financial contracting, governance structures, and the accounting regulation of Islamic banks: An analysis in terms of agency theory and transaction cost economics. *Journal of Management and Governance*, 2 (2), 149–170. DOI:10.1023/A:1009985419353
- Smaoui, H., Mimouni, K., Miniaoui, H., & Temimi, A. (2020). Funding liquidity risk and banks' risk-taking: Evidence from Islamic and conventional banks. *Pacific-Basin Finance Journal*, 64(1), 101436. <https://doi.org/10.1016/j.pacfin.2020.101436>
- Song, I., & Oosthuizen, C. (2014). Islamic banking regulation and supervision: survey results and challenges (No. WP/14/220). IMF Working Paper. <https://doi.org/10.5089/9781498380928.001>.
- Suleiman, N. M. (2000). Corporate governance in Islamic bank. *Islamic Banking*, 1(1), 99–116 <https://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.539.5440&rep=rep1&type=pdf>.
- Sulub, S. A., Salleh, Z., & Hashim, H. A. (2020). Corporate governance, SSB strength and the use of internal audit function by Islamic banks: Evidence from Sudan. *Journal of Islamic Accounting and Business Research*, 11(1), 152–167. <https://doi.org/10.1108/JIABR-12-2016-0148>
- Tameme, M.E.M. (2009). Demand and Supply Conditions of Islamic Housing Finance in the United Kingdom: Perceptions of Muslim Clients. Doctoral thesis, Durham University, Demand and Supply Conditions of Islamic Housing Finance in the United Kingdom: Perceptions of Muslim Clients, pp.1–320. Available at: http://etheses.dur.ac.uk/77/1/Tameme_final_thesis_14_Dec.pdf?DDD35+
- Tayyebi, A. (2009). Eclipse by the crescent moon: Islamic finance provides some light in the global financial crisis. *Financial Services Review* <http://www.iefpedia.com/english/wp-content/uploads/2009/10/Islamic-Finance-Provides-Some-Light-in-the-Gobal-Financial-Crisis.pdf>. ACCA global.
- Toufik, B. (2015). The role of Shariah supervisory board in ensuring good corporate governance practice in Islamic banks. *International Journal of Contemporary Applied Sciences*, 2(2), 109–118.
- Ullah, H., & Khanam, R. (2018). Whether shari'ah compliance efficiency is a matter for the financial performance: The case of Islami bank Bangladesh limited. *Journal of Islamic Accounting and Business Research*, 9(2), 183–200. <https://doi.org/10.1108/JIABR-01-2016-0001>
- Ulussever, T. (2018). A comparative analysis of corporate governance and bank performance: Islamic banks with conventional banks. *Research Journal of Business and Management*, 5(1), 34–50 doi:10.17261/Pressacademia.2018.815.
- Usmani, M. T. (1998). *An introduction to Islamic finance* (1st ed.). Idaratul Ma'arif.
- Wan, A. W. A., Majella, P., & Jenny, S. (2010). *Corporate governance disclosure practices of Islamic banks: The case of Islamic banks in the Southeast Asian and the gulf cooperation council region*. Working Paper.
- Warde, I. (1998). *The role of Shariah boards: A survey*. IBPC working papers. San Francisco.
- Warde, I. (2000). *Islamic finance in the global economy*. Edinburgh University Press.
- Wilson, R. (1997). Islamic finance and ethical investment. *International Journal of Social Economics*, 24(11), 1325–1342. <https://doi.org/10.1108/03068299710193624>
- Wilson, R. (2009). Shariah governance for Islamic financial institutions. *ISRA International Journal of Islamic Finance*, 1(1), 59–75.
- Winarsih, W., & Robiyanto, R. (2020). The Sharia Supervisory Board and Corporate Social Responsibility Disclosure: A Sharia Respective in Indonesia. *Humanities & Social Sciences Reviews*, 8(1), 821–828. <https://doi.org/10.18510/hssr.2020.8198>
- Yudistira, D. (2004). Efficiency in Islamic banking: An empirical analysis of 18 banks. *Islamic Economic Studies*, 12(1), 1–19 <https://ssrn.com/abstract=3164166>.
- Zighaba, E. (2009). The boards of Fatwa and Shariah supervision in Islamic financial institutions: Their importance, restrictions, and recommended solutions. *Proceedings of the conference of Islamic banking between reality and expectations*, p. 1–38. Dubai, UAE.
- Zoair. (1996). The role of Shariah supervision in the development of banking transactions. *Dubai Islamic Bank*, 186, 43–50.



© 2022 The Author(s). This open access article is distributed under a Creative Commons Attribution (CC-BY) 4.0 license.

You are free to:

Share — copy and redistribute the material in any medium or format.

Adapt — remix, transform, and build upon the material for any purpose, even commercially.

The licensor cannot revoke these freedoms as long as you follow the license terms.

Under the following terms:

Attribution — You must give appropriate credit, provide a link to the license, and indicate if changes were made.

You may do so in any reasonable manner, but not in any way that suggests the licensor endorses you or your use.

No additional restrictions

You may not apply legal terms or technological measures that legally restrict others from doing anything the license permits.

***Cogent Economics & Finance* (ISSN: 2332-2039) is published by Cogent OA, part of Taylor & Francis Group.**

Publishing with Cogent OA ensures:

- Immediate, universal access to your article on publication
- High visibility and discoverability via the Cogent OA website as well as Taylor & Francis Online
- Download and citation statistics for your article
- Rapid online publication
- Input from, and dialog with, expert editors and editorial boards
- Retention of full copyright of your article
- Guaranteed legacy preservation of your article
- Discounts and waivers for authors in developing regions

Submit your manuscript to a Cogent OA journal at www.CogentOA.com

