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Abstract

One of the key elements for the success and performance of Islamic banking institutions is the structuring of good and sound cooperate governance. Forming and planning good corporate governance for Islamic banking institutions is an important attempt to make sure the institutions are well protected. There are various management and planning elements in corporate governance geared toward good corporate governance purely for Islamic banking institutions. Thus, the objective of this article is to examine the related literatures on governance for Islamic banking institutions between 2005 and 2015. The methodology of this article is through qualitative research based on document analysis on the previous articles and literatures on governance of Islamic banking. Data from each article related in this field were collected and statistically analyzed using the Statistical Product and Service Solution software. This study looked at variables which include authorship patterns, number of articles published, and author productivity. The general finding in this article shows that there are still a limited number of articles and papers published by the researchers related to this field. Henceforth, this article provides significant suggestions and strategies for the future exploration on governing and planning for good corporate governance for the Islamic banking institutions.

Keywords: Governance of Islamic Banking; Islamic Banking Institutions; Islamic Finance

1. Introduction

Corporate governance is basically about the responsibilities and fulfillment to shareholders and stakeholders. It is closely related with aspects of law and constitution. Good Cooperate governance is the key element on which banks and financial institutions are built (Slahudin, 2008). Since there exist numerous challenges for Islamic financial institutions and banks, in particular, to mitigate these numerous challenges, better structures in corporate governance for these institutions is highly needed (Lewis, 2005).

To attain success in this world and the hereafter, Islam serves as a religion that promotes good governance and leadership since 14000 years ago. According to a Hadith, on the authority of Ibnu Omar (may Allah be please with him), I heard the messenger of Allah saying, “All of you are shepherds and each of you is responsible for his flock. A man is the shepherd of the people of his house and he is responsible. A woman is the shepherd of the house of her husband and she is responsible. Each of you is a shepherd and each of you is responsible for his flock” (reported by Bukhari and Muslim).

Meanwhile, laws and rules governing humankind should be in line with the teachings of the Quran and the Hadith of the prophet PBUH. “Know man that there is no God worthy of worship but Allah…” “Knowledge before word and action.” (Surah 47. Muhammad, verse 19). Therefore, governing the operation of Islamic banks should be adequately enough with information on governance and regulations; one on principles and concepts of Islamic law or Shariah, second on the risks and challenges that appear to face the Islamic banking and finance industry.
Nonetheless, corporate governance has its own social responsibilities to consistent with the principles of Islam pertaining to improve corporate image and discharging their responsibility as Islamic entity (Paino, 2011). There are, however, some differences between models in cooperate governance in countries where Islamic banks operates. Malaysia for instance, practices Shariah review model, as an undertaken by Islamic banking sector. Pakistan undergoes internal and external audit that had several processes and few obstacles (Azrin et al., 2009).

With all critics and challenges on Islamic banks and Shariah governance, it is hoped these literature works may benefit the Muslims in some ways. For instance, first, the literature works would help the Muslims to realize on the level of undergoing struggle of governance in the Islamic finance and the banking industry. Second, these works provide new knowledge on planning for good corporate governance in the Islamic finance and banking. Third, these works may also open a new chance for other Islamic financial institutions as well as conventional to implement better governance for their institutions. Therefore, this article attempts to analyze several papers which are known to conduct a study in those mentioned fields, thus, analyzing the pattern of authorship related to the field.

2. Literature Review

The boosting development of Islamic finance and banking worldwide, nowadays, had made a significant move in economics driving by the development of Islamic product, such as Murabahah, Musharakah, and Mudarabah, until the establishment of free-interest bond called Sukuk issued internationally. However, the main reason of the stability and well manage is because of a good corporate governance system that helps to prevent corporate scandals, fraud, civil, and criminal liability of the organization. The good corporate governance system will lead to justice, accountability, truthfulness, transparency, and protection of minorities (Malekian and Daryaei, 2010).

Corporate governance can be defined as a framework that protects stakeholders’ rights by illustrating an effective board of directors, efficient internal control, and audit in addition to reliable financial reporting and disclosure. An empirical investigation towards the Maqasid Shariah used to determine the role of Shariah governance is by the theory of al-Ghazali and Al-Şatibi which focused on five main aspects: Religion, life, intellectual, lineage and property (Fahmi, 2012).

Basically, the basic element of Islamic corporate governance can be divided into two types. First, corporate governance can be defined as a formal system of accountability senior management to be shareholders. The second is, in expansive terms, corporate governance includes the entire network of formal and informal relations involving the corporate sector and their consequences for society in general. The conceptual of Islamic and conventional corporate governance term does not have a big different (Hassan, 2009). The ethical in Islamic corporate governance does not have big differences with the conventional ethics, but Islamic added some value to the existing governance framework (Hasan, 2012). There are a few critics that Shariah Governance for Islamic banks take a principle from the western practices and not creating a purely principles from Islamic practices (Siswantoro, 2012).

Shariah practitioner should not take profit maximization as the main purpose of the business when introducing a new Islamic product to the customer and must help public to avoid riba and interest which is prohibited by Islam (Azrin et al., 2009). Besides, a major source of wealth creation and financing investment are reaching trillion dollars which Islamic financial institution provides many options to the savers and investors to invest and secured the asset but comply with the Shariah (Akhtar, 2006). As the Islamic banking facing an additional risk compared to conventional banking system, the Islamic banking experienced corporation development and have a bigger challenge in Islamic financial institution (Hassan, 2008).

The practice of Shariah review as undertaken by Islamic banking sector in Malaysia is slightly different with another country such as Pakistan (Rammal, 2010). Pakistan must undergo internal or external audit that had several processes and having a few obstacles (Azrin et al., 2009). Apart from that, corporate governance basically is about a responsibilities fulfillment to stakeholders and shareholders (Slahudin, 2008).
Corporate governance has its own social responsibilities to consistent with the principles of Islam pertaining to improve corporate image and discharging their responsibility as Islamic entity (Paino, 2011). The highlighted challenge in Islamic corporate governance is numerous, and the hardest challenge is to implement the vision of corporate governance itself (Lewis, 2005). There is a call for corporate governance to contribute in the Islamic capital market to help in overcoming issue such as Shariah non-compliance risk, independence, conflict of interest, and competency (Kasim et al., 2013).

There is a big relation between effective corporate governance toward the bank efficiency. In Malaysia, the impact of corporate governance on the voluntary accounting information is disclosed by poor corporate governance that can drive the market to lose confidence in the bankability to manage its assets and liability (Htay, 2012).

In other countries, such as Pakistan, good corporate governance is one of the effective ways to bring the investors’ interest into line and ensuring that firm and secured the benefit of investors (Rehman and Mangla, 2010). In America, its challenge is more to the perception of the society that assumed Islamic governance will effect American institution (Mahmood, 2009). In Brunei, the challenges are when the financial crisis happened; the governance cannot maintain its entities because of the poor corporate governance and rules empowerment (Hassan and Chachi, 2008). In Indonesia, the Shariah Board members are playing vital roles to have a strong commitment in developing Islamic financial institution within the Shariah framework (Arshad and Wardhany, 2012). After a decade of the Islamic banking establishment, the Muslim minority is facing a challenge as a minor people and they having a problem with policy document, bank legislation that does not comply with Shariah principles (Morrison, 2014). There is a proposal to establish reconciliation in South Thailand. However, the response is half positive and half negative due to bad situation (Jitpiromrsi and Mccargo, 2008). In GCC countries, the banks depend crucially on the physical capital to operate, but the quality of service and products they provide to their customer depends to the intellectual capital which is to maximizing value creation. This is because a GCC country does not impose knowledge, skills and expertise in banking that may help decision making (Izah and Karem, 2012).

3. Methodology

This article adopts qualitative research based on several literature works on governance of Islamic banking for 10 years between 2005 until 2015. 25 articles had been gathered based on online search on papers and articles. The literature works and articles will be analyzed to extract information regarding the concept and practice of governance of Islamic banking. After extracting data from each article, data from respondents’ answers are analyzed statistically through the use of Statistical Product and Service Solution version 20. This study will analyze the frequency of each variable through descriptive statistics.

4. Finding

4.1. Number of publications by year

There were 25 published articles related to governance of Islamic banking from the observed 10-year period starting year 2005 to 2015. Table 1 shows the distribution of articles by year. It shows that year 2012 shows the highest percentage (24%) of articles published related to the field of study, followed by year 2008 with 20%. However, there are no published articles related to the field of study in 2007 and 2015.

4.2. Research types of each publication

In this research, there are four types of researches that use in each article: Analytical, descriptive, empirical, and exploratory. Analytical research often used descriptive approach for the purpose of suggestion or explanation on why or how something happen. Normally, it is described on the causes
of research study. Description research used to identify and classify the elements or characteristics of the subject usually concerned with describing a population with respect to important variables. While exploratory research is in which the major emphasis is on gaining ideas and insights where theories are used as a basis for understanding and explaining practices or procedures (Scapens, 1990). Empirical research is a way of gaining knowledge using direct and indirect observation or experience.

All these types of research are commonly used by the researchers. Thus, in this study, all these types of research are being applied by the authors to study in this field. Based on Table 2, the majority of the authors used analytical method (13 articles) to conduct their studies followed by the empirical approach and descriptive approach. While exploratory research shows less number (one article) of application applied by authors.

### 4.3. Research approaches of each publication

There are three methods that use in this study: Quantitative, qualitative, and mixed method. Quantitative data are data that collected using the numerical system and the data are mostly a primary data. Qualitative method is a method that uses a nonnumerical way to collect the data and mostly the data are the secondary data. Mixed method is a method that using quantitative and qualitative method.

Based on the Table 3, the most collected article that using qualitative data are on the year 2012 and on 2012 also have a mixed method approach that the author used for writing the article. There are 2 years that the publications use the quantitative data which in the year 2009 and 2011.

#### Table 1: Number of publications by year

<table>
<thead>
<tr>
<th>Year of publications</th>
<th>Number of articles (%)</th>
</tr>
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<tbody>
<tr>
<td>2005</td>
<td>2 (8.0)</td>
</tr>
<tr>
<td>2006</td>
<td>1 (4.0)</td>
</tr>
<tr>
<td>2008</td>
<td>5 (20.0)</td>
</tr>
<tr>
<td>2009</td>
<td>3 (12.0)</td>
</tr>
<tr>
<td>2010</td>
<td>3 (12.0)</td>
</tr>
<tr>
<td>2011</td>
<td>3 (12.0)</td>
</tr>
<tr>
<td>2012</td>
<td>6 (24.0)</td>
</tr>
<tr>
<td>2013</td>
<td>1 (4.0)</td>
</tr>
<tr>
<td>2014</td>
<td>1 (4.0)</td>
</tr>
<tr>
<td>Total</td>
<td>25 (100)</td>
</tr>
</tbody>
</table>

#### Table 2: Research types used by each publication by year

<table>
<thead>
<tr>
<th>Years of publication</th>
<th>Analytical</th>
<th>Descriptive</th>
<th>Empirical</th>
<th>Exploratory</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>2006</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>2008</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td>2009</td>
<td>2</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>2010</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>3</td>
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<tr>
<td>2011</td>
<td>0</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>2012</td>
<td>3</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>6</td>
</tr>
<tr>
<td>2013</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>2014</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>13</td>
<td>4</td>
<td>7</td>
<td>1</td>
<td>25</td>
</tr>
</tbody>
</table>
4.4. Gender of authors

In this study, based on the Table 4, there are 38 authors from the articles and it divided based on the gender; male and female. There are 7 female authors and 31 male authors, and there are two authors contribute in 3 articles the most. If based on the percentage, male authors are only 81.58% meanwhile female authors are 18.42%. For this study, there are only have 5 person for the authors for the maximum and it been categorized into 5 categories; single male, single female, more than one (mixed), more than one (male only), and more than one (female only). There are 15 articles for single authors which 3 of them are female and the rest are male. For more than one (mixed), two authors and three authors both have one only and for five authors containing 5 articles. For more than one (male only), there are only have 5 articles for two authors only and the rest only zero. And finally for more than one (female only), there is 1 article only which it is the two authors.

4.5. Ranked list of most prolific contributor

There are a total of 38 authors contributed 25 articles from 2005 to 2015. Based on Table 5, Hassan and Htay are the highest contributors with 3 articles and papers in the literature of governance of Islamic banking while the rest is 1 contribution.

5. Discussion

The analysis of the articles published related with governance of Islamic banking from year 2005 to 2015 has provided the following:
In general, based on the statistic, this topic is not very popular among the researchers since the peak publications related with this field of study was only in 2012 with 6 articles, followed by 3 articles each year from 2009 until 2011. Currently, there was only 1 article in 2013 and another 1 in 2014. This means only two articles published related with the governance of Islamic banking in the last 3 years, and there was no article published in 2015.

Table 5: List of authors and number of contributions

<table>
<thead>
<tr>
<th>Rank</th>
<th>Authors</th>
<th>Number of contributions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Zulkifli Hasan, Sheila Nu Htay</td>
<td>3</td>
</tr>
</tbody>
</table>
Concerning to the types of method used, the majority of the authors prefer to use analytical research method to identify and classify the elements or characteristics involved in the study to further the information regarding implementation in governance of Islamic banking. Most papers are qualitative since the topics involve less statistical and less numerical data.

Most of the articles published were written by a single author with 15 articles followed by two authors with 7 articles, and five authors with 2 articles, and lastly, three authors with one article. Hasan and Htay were the highest contributors who published articles and papers related with governance of Islamic banking.

Based on the literature review from all researchers starting from year 2005 to 2015, it can be concluded that Islamic corporate governance does not have a huge different with the conventional corporate governance, but Islamic corporate governance added additional Islamic elements in the existing framework of corporate governance. Different country faces different issues and challenges in the Islamic corporate governance of Islamic banking. All in all, corporate governance basically is about a responsibilities fulfillment to stakeholders and shareholders (Slahudin, 2008).

While for the number of articles published related with this topic of study, it is expected the number of articles published through online will have a high possible probability to expand since the issues and challenges in governance of Islamic banking are increasing. Thus, it leads to the topics of discussion among economist, academician and experts in this field.

6. Conclusion

It is very important for Islamic banking institutions to realize the benefit of having sound corporate governance in managing their institutions. Effective and proper corporate governance implementations will ensure the stability of Islamic banking institutions in the future.

However, since there are quite a few articles published related to this field, it is important to researchers to continue their researches or studies in this field instead. The international journals should promote or suggest authors to study and publish articles related to these study fields, and at the same time, universities should provide enough research grants to support promotions of those fields. It is also suggested that articles related to this field should be made available online via open access system to benefit the usage of internet which allow the journal viewed by researchers by other countries.

References

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