

# Towards an ideal Shariah Competency Framework (iSCF) for Islamic Banking Institutions in Pakistan

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## Abstract

One of the core differences between conventional and Islamic Financial institutions is that the products, services, and operations Islamic Financial institutions offered are completely certified by the Shariah board while the conventional institutions don't require any such Shariah certifications. In addition, the conventional financial institutions depend upon the financial and economical transactions while the Islamic financial institutions cover the moral, social, ethical, and spiritual dimensions to improve the justice system of the society. Furthermore, in both conventional and Islamic banking system, governance practices play a key role to ensure that businesses are run smoothly and soundly. Islamic banks are the institutions inspired from the Islamic law of business transactions wherein the Shariah supervisory board has the responsibility to govern and implement Shariah pronouncement. The competency of a Shariah board is a matter of concern especially for Islamic banking institutions in any country because the regulatory environment varies from one region to another. The purpose of this study is to develop an ideal Shariah competency framework (iSCF) for Islamic banking institutions and then to evaluate the competency level of Shariah board members that serve Islamic banks in Pakistan. To meet the objectives of this research, data has been collected from 71 Shariah board members that serve 22 Islamic banking institutions in Pakistan. The methodology adopted in the study is purely qualitative where the case study approach is applied as a research strategy. It is concluded from the analysis that Shariah knowledge is not the only parameter to define adequate Shariah competency of a Shariah advisor. The policy implications of the study are much broader in scope and equally recommended to the regulator (SBP), banks, and customers to measure the Shariah competency level of each Islamic bank based on the Shariah board member's competency. It will help the regulator as well as each individual Islamic bank to develop a well-designed policy framework for the affiliated Shariah scholars.

**Key Words:** Islamic Banking, Shariah Governance, Shariah Supervisory Board, Shariah Competency, Pakistan

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## **1. Introduction**

### **1.1 Background of the study**

In the last few decades, Islamic financial instruments are being accepted globally and it has an extensive growth due to the economic globalization and financial crises faced by the world from time to time (Ahmed, Nawaz, Danish, Usman, & Shaukat, 2017). Most importantly, the financial system in the 20<sup>th</sup> century was purely interest-based which is contradicting with injunctions of Islam and a matter of unrest for the Muslims. Initially, the innovations in the Islamic finance industry started in the Middle East and Southeast Asia but gradually boosted up with rapid growth in the developed countries like the United States of America, the European Union, the United Kingdom, and Canada where they implemented the Islamic financial system. Later on, Islamic banking institutions derived from the Islamic financial system. The Islamic banking institutions purely operate on the principle of *riba*-free financial transactions and risk-sharing practices. However, in the conventional banking sector, profit is secure and risk must be collectively borne by the borrowers (Ali & Naeem, 2019). As guardians of public money, Islamic banking institutions must have a strong legal corporate governance framework to maintain their good reputation (Ayaz, Shakeel Shah, & Bin Yusuf, 2018). Shariah corporate governance is a distinctive characteristic of corporate governance to ensure Shariah injunctions and implementations in the Islamic banking institutions (Grassa, 2015). A Shariah governance arrangement ensures the compliance of Shariah rulings in Islamic banking operations (Alam, Miah, Siddiqui, & Hossain, 2020). It plays a significant role in the industry to ensure that it meets the objective of the establishment of Islamic banks. The Shariah supervisory board is an independent regulator that works with the board of directors. Hence SSB must be competent for exercising their duties to make objectives and informal judgments (Alabbad, Hassan, & Saba, 2019).

### **1.2 Knowledge Gap and Rationale**

The competency of the Shariah supervisory board is one of the key elements in the supervision of Islamic banks and Islamic financial institutions. IBIs and IFIs implement Islamic laws in their financial activities through the Shariah

supervisory process in the supervision of the Shariah supervisory board. SSB has the responsibility to ensure the implementation of Shariah pronouncements in business transactions. The literature available on the Islamic corporate governance system and Shariah supervision has covered a lot about the responsibilities and importance of the Shariah supervisory board in IFIs; whereas, little literature is available related to the competency of the Shariah supervisory board in IBIs. Therefore, the study is an attempt to fill this gap by developing an ideal Shariah competency framework (iSCF) for IBIs.

### **1.3 Research Purpose**

Banks play an important role in the economy sector of a country. Keeping in mind the importance, different techniques, and tools that have been carried out for evaluating the performance of the modern banks, the purpose of this empirical research study is to synthesize the model and practices related to the Shariah board in Islamic banks in order to explore a comprehensive Shariah Competency framework in Islamic banks to perform according to Shariah rulings and principles. In other words, the Shariah supervision in all fields is competent enough to make Islamic banks more reliable and comply with the Shariah rulings. So, the purpose of the research is to develop an ideal Shariah competency framework (iSCF) for assessing the competency of an SSB's member of an IBI in Pakistan

### **1.4 Research Objectives**

In order to fulfill the purpose of the research, the study formulates the following objectives:

1. To enlighten the contents of the Shariah competency framework highlighted in the available literature.
2. To highlight the importance of a competent Shariah board in IBIs.
3. To construct a well-developed Shariah competency framework for IBIs.
4. To identify the means through which IBIs can make their Shariah board more competent and efficient.

### **1.5 Research Questions**

To attain the stated objectives, the research has the following questions:

1. Why Shariah competency is important in IBIs?
2. What are the detailed contents of Shariah competency available in the literature?
3. What should be a well-contents Shariah competency framework for IBIs?
4. What are the means or tools through which Islamic banks make their Shariah board more competent and efficient?

### **1.6 Research Design**

To achieve the objective(s) of the study, one of the most important elements for any beginner of the research study is formulating the research design. The approach for the present study is purely qualitative because the results of the qualitative research method are more definitive and identifying; and its interpretation is done quite easily from the obtained data. Under the qualitative research approach, there are different research strategies and models but the Case study model is adopted for the current research.

### **1.7 Scope of the study**

The study is being conducted in the year 2019; therefore, the time scope of the study is limited to this time frame.

This study deals with the Islamic banking and finance industry in general with specific emphasis on Sharia boards of IBIs located in Pakistan only.

Although Shariah governance has five pillars, the conceptual scope of the study is limited to 'Shariah competency' only.

## **2. Literature Review**

Shariah Competency is one of the most essential and pivotal elements involved in Shariah Governance (SG) of IBIs. The section presents a brief introduction to the previous literature regarding the Competency related to Resident Shariah Board member (RSBM) and Shariah Supervisory Board (SSB). The section also discusses the different means of Competency and expertise required for the SSB and its importance in the light of the available subject literature. The section ends on the conceptual framework of the study which is the construct of Shariah competency suggested in past literature.



## 2.1 Corporate Governance (CG)

Every organization is supposed to be governed and supervised by some standards, so-called, governance standards (Shahzad, Saeed, & Ehsan, 2017). Corporate governance is a unified set of policies, processes, and guidelines within an organization (Rehman & Hashim, 2020). CG has gained an emphatic place in the sustainability of any institution, be it a corporate or a bank, implementation of CG in the light of Quran and Sunnah in Islamic Banks in contrast to the Conventional banks (Ekanayake, n.d.). According to Mollah & Zaman (2015), it's very important to overview the performance and efficiency of Boards of Directors (BOD) and the effectiveness of governance mechanism. CG has become one of the main and vital tools for corporate companies after they have seen different types of fraud on different occasions (Qureshi & Qurashi, 2013). The Corporate sector also faces problems day by day due to a lack of properly organized governance.

Marie L'Huillier (2014) argued that the use of the term "Corporate governance" intensifies during the economic and political changes incited in the Organization for Economic Co-operation and Development (OECD) countries from the mid1980s. CG is a vital term that describes the policies, laws, and methods (Khan, 2011). CG indicates the way an organization is administrated and directed (Rehman & Mangla, 2016). The importance of corporate finance appears in the modern organizations when the partition of management arises in the organization. The CG structure is specifically based upon the distribution of rights and responsibilities among different participants in the corporation such as shareholders, the board, the managers, and other stakeholders. CG in any organization or financial institution manages the relationship among the stakeholders including the BOD and shareholders. That the corporation recognizes the basic principles of good CG, is an increasingly important factor for investment decisions.

## 2.2 Shariah Governance (Islamic corporate governance):

IBIs differ from their conventional counterparts in their products, services, and operations which comply with the Shariah guidelines and principles; however, the conventional financial system doesn't need any such compliance mechanism (Nomran & Haron, 2020). The aim of the Shariah was clarified by the Muslim jurists. One of the most prominent Islamic jurists, Imam Ghazali, emphasizes Shariah as religion, intellect, life, heredity, and property (Kamali, 2008) which

was then applied in different contexts of a Muslims' day-to-day human relations (Mua'malat). In addition, Shahar, Nawawi & Salin (2020) examined that Shariah corporate governance is only valid and is according to Shariah if its ensure the rights of all stakeholders in the society. Damak (2018) argues that IFSB defines Shariah governance system as, "The set of institutional and organizational arrangements through which an institution offering Islamic financial services (IIFS) ensures that there is an effective independent oversight of Shariah compliance over each of the following structures and processes:

1. Issuance of relevant Shariah pronouncements
2. Dissemination of information on such Shariah pronouncements
3. An internal Shariah compliance review
4. An annual Shariah compliance review

According to Larbsh (2015), Islamic corporate governance is based on faith-based rationalism and the social welfare criterion. In IBI's, SG mostly refers to the management, establishment, and affairs of the Shariah committee (Shahzad et al., 2017). When we talk about the Shariah governance in the Islamic banks, it means that the whole business practices and operations of the Islamic banking system must be based on Shariah rules and principles. The Islamic banking industry has been widely developing not only in the Muslim countries but also in the non-Muslim countries. Due to its fast-growing Islamic banking industry need proper governance to meet its objectives for the establishment of the Islamic banking industry (Nafees, Risna, Rukshana, & Zahira, 2019). It is the key responsibility of the IBI's that they must ensure the Shariah compliance in all aspects of their products, operations, instruments, and management which will be achieved by the establishment of proper Shariah governance framework.

According to SBP (2014), the Shariah Governance Framework of an IBI shall cover the following areas:

1. An effective administrative mechanism of the IBI's Shariah compliance environment for the BOD's
2. Accountability of upper management in the implementation of rules and regulations
3. An independent, effective, and competent SSB appointed as per Fit and Proper Criteria (FAPC) of SBP. For the guideline of a bank on day-to-day Shariah issues, one of SSB's Scholars performs as an RSBM.

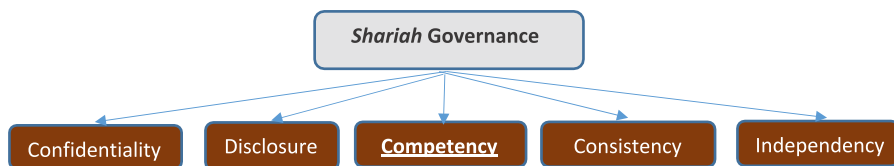
4. For the support of SSB and to serve as a channel between the SSB and the management of the IBI, A Shariah Compliance Department must perform its duties.
5. How much big is the IBI, depending on the size of IBI, an independent Shariah audit unit must be the part of the audit unit.
6. The External Shariah Audit report will also be part of the annual audit of the IBI.

### 2.3 Principles of Shariah Governance:

When Shariah involves in the corporate sector, five basic concepts are found as shown in Figure 2.1.

These concepts are called the components of Shariah

Governance system in IBI's (IFSB- CPIFR-17, 2015) and these are as under:



**Figure 2.1** Source: Wardhani & Arshad (2012); IFSB-CPIFR-17 (2015); Components of Shariah Governance in IBIs. The Author's own diagram

### 2.4 Importance of Shariah Advisory

The history of Shariah advisory and its importance is backed with many relevant verses from the Holy Quran. A competent and effective Shariah board plays a key role in the development of Islamic financial system of any country because they use to make their policies in the light of Shariah, analyses their present products and services and structuring their new Shariah-based products considering the current financial system and the practices of the society (urf) (Ismail, 2018). However, the Shariah advisory has a unique relationship with Islamic banks, as SSB members are answerable for ensuring Shariah teachings in financial transactions and in issuing new financial products (Wardhani & Arshad, 2012).

## 2.5 Shariah Competency in IBIs:

The concept of Islamic banking was first developed in the late 1940s but the initial efforts were taken in 1963 with the development of the Mit Ghamer Savings Bank and the Nasser Social Bank in Egypt (Haridan, Hassan, & Karbhari, 2018). Islamization of economy was first introduced in the 1980s in Pakistan by the Islamic ideology council. SBP started working parallel to both the streams of banking (Islamic and conventional banking). The Islamic banking practices were launched in Pakistan in 2000 by the State bank of Pakistan and Meezan bank was the first bank registered as a fully-fledged Islamic bank in 2002 which operates on the the Shariah rulings given by the Quran and Sunnah (Ali & Naeem, 2019). Afterwards, 5 full-fledged Islamic banks and 12 conventional banks with Islamic windows started operating in Pakistan by June 2011 (Hanif, Tariq, Tahir, & Wajeeh-ul-Momeneen, 2012). Over the time when the Ummah is thirsty about the Islamic banking system, the question arises: What are the rules and regulations for IBs to fulfill their needs and to make Shariah compliance? Do the IBs apply the rules as given by the Quran and Sunnah? Can the Ummah trust that IBs have good compliance? All these questions should be answered by the SB (Wardhany & Arshad, 2012). Competency is the capability of a person which leads to identify, evaluate, and develop behaviors comfortably (Alam & Hassan, 2017). The Competent board or person performs their duties very well to meet the Shariah obligations and to develop their products according to Shariah. One of the key responsibilities of SB is the implementation of Islamic banking products, operations, and management and to see whether these all meet the criteria for fulfilling the Shariah rulings. Therefore, the issue of competency of each SSB member is the key feature that solves the Ummah's trust issues and reliance on these IBIs (Haridan et al., 2018).

## 2.6 Competency of SSB in IBIs

Hamsani, Sule, Hilmiana, & Kaltum (2017) stated that competence is a basic characteristic which enables an individual to possess a certain position in an organization. The present research is related to the competency of SSB which is a fundamental feature that differentiates the supremacy of IBs from their counter parts (Alabbad et al., 2019). Competency of SSB means that any person or board bearing the responsibilities in SGF must be competent in all aspects i.e. having broad knowledge of Shariah as well as finance, having the expertise of issuing Shariah pronouncement (fatwa), and having awareness of day to day reforms in

IBIs. SSB has sufficient knowledge particularly on Islamic finance to enable the Shariah committee/board to Shariah issues brought before them (BNM, 2010). The contradiction between the conventional banking system and the Islamic system occurs where the conventional banking system wants to run its financial activities in their way. They don't have any concern about the profit-generating mechanism i.e. whether the operations are Shariah-compliant or not. On the other hand, Shariah compliance is the major motivating factor for customers in IBIs. The basic purpose of SSB is to make sure that the products and operations in IBIs don't breach the Islamic law. There is also a communication gap between both of them. The conventional bankers think that the duty of SSB is limited to just educate and create awareness in bankers about riba, what are the different forms of riba, and what are the most probable new forms of riba in the banking system. But this is not the only duty of SSB of an IBIs. RSBM and SSB supervise the bank and ensure to investors that the products they are offering are Shariah-compliant. The ideal role of Shariah supervision is to improve all aspects of Shariah governance including Shariah declarations (fatwas), review, and supervision (Miajee, 2018).

## **2.7 Conceptual Framework and scope of the Study**

Extant literature on IF mainly focuses on the areas of new product development and customer satisfaction. The quality of the financial institution's governance and control is considered to be important for the client (Rammal & Parker, 2010). Wardhany & Arshad (2012) argue that according to the Islamic Financial Services Board (IFSB), SGF refers to the set of arrangements through which an IFI ensures that there is an independent oversight of overall operations: (1) the approval of the Shariah resolutions; (2) authenticity of information on such Shariah resolutions approved; (3) internal Shariah department review; (4) annual Shariah compliance review or audit for comparing the internal Shariah review. It's the responsibility of the Shariah Governance System to establish a Shariah Advisory Board to ensure that Islamic banking products and operations match Shariah principles. Moreover, Shariah competency is sufficient in IBI's to ensure the confidence of the public that they are dealing with the professionals who are competent, independent, honest, financially sound and will treat them fairly. The BOD of IBI's should consider the following criteria when appointing the

individuals to serve in an SB (IFSB-10, 2009):

1. Respectable character
2. Personally responsible
3. Competent
4. Ideal Academic qualification
5. Experience and exposure
6. Independent
7. Ensuring the confidentiality of IBI's
8. Shariah pronouncements must be consistent
9. Appropriate knowledge and skills to execute the duties

### **3. Research Methodology**

Research methodology adopted in the research is discussed in this section. This section gives a brief introduction to the research paradigm and philosophy of the research. The rationale behind focusing on the appropriate methodological approach will also be discussed in this section. The section also indicates the research strategy and research design and discusses them in the context of the current study. The sources from where data are collected, their analysis and interpretation are also the part of this section.

#### **3.1 Methodological Approach**

The process for the selection of a methodological approach is not an easy task. It is mainly focuses on the research problem or an issue that is being addressed in the study. Keeping in mind the overall research designs and methods, one can move forward for conducting the research study on a qualitative approach, quantitative approach, or mixed methods approach (Creswell, 2014). By fulfilling the human curiosity and desire for knowledge, the qualitative approach may increase the benefits for society. The basic factor of the qualitative and quantitative approach is based on their data collection and analysis procedures. In the qualitative research, mostly non- numeric techniques are used like interviews, observations, documents, reports inquiry, and events study and their data analysis method is coding. While on the other hand, quantitative research includes numeric data like scores and metrics and technique used for data analysis is a regression (Bhattacharjee, 2012). Therefore, a qualitative research technique is more suitable and appropriate for the study of the current topic entitled towards an ideal Shariah competency framework for IBIs.

### 3.2 Research Design

Research design provides a specific direction for the researcher in further proceedings. In the available research methodologies books, the term ‘research strategy’ is also used for research design. The research design for the current study is a “Case study”. Neuman (2014) argues that a Case study is a process of modifying the well-documented existing and widely accepted theory. This technique brings the theory and the data together. The case study is a method of inquiring about a specific phenomenon over a while within its natural setting in one or a few sites (Bhattacharjee, 2012). Cases are limited by time and activity and researcher uses several unique strengths for the data collection in case study research over competing for other research methods such as surveys, observations, interviews, prerecorded documents, and secondary data for deriving the richer, contextualized, and more authentic interpretation of the study. Case research can be used for theory building in an interpretive attribute, while for theory testing in the positivist attribute.

### 3.3 Research Method

A famous Indian research methodologist, Kothari defines the research method as, “all those methods which are used by the researcher during the course of studying his research problem are termed as research methods” (Kothari, 2004). A research method is a process of collecting the data, analyzing that data, and interpretation of the results (Creswell, 2014). At the start of the evaluation “the researchers must also decide what research method they wish to employ for collecting data to address their research questions of interest (Bhattacharjee, 2012). The important and key factors involved in research method and their rationale in the context of the present study are discussed below:

#### 3.3.1 Data Collection Method

The main purpose of the study is to explore the Shariah competency level for each Shariah scholar specifically and the competency level for each bank working in Pakistan. Therefore, the data is collected from the annual financial report and the official website of each bank because the data collected from the said sources is more authentic and correct.

#### 3.3.2 Selection of Participants

Bhattacharjee (2012) argued that it is necessary for the researcher while conducting a research inquiry to collect the data from the participants who are

relevant to the study. The participants selected for this study are the Shariah scholars and Shariah advisors performing their duties in the banks whether they are full-fledged Islamic banks or Conventional banks with Islamic windows.

#### **4. Analysis Process**

The analysis phase of the study has been undertaken through the following steps:

##### **4.1 Participants Information**

The participants of the study were the seventy-one (71) Shariah board members of twenty-two (22) Islamic banking institutions in Pakistan. The primary focus of the study was to analyze the Shariah competency level of each Shariah board member linked to a specific bank.

##### **4.2 Arrangement of Attributes**

The arrangement of attributes was the next step after compiling the data of all Shariah board members as shown in Fig. 2. These attributes were constructed on an approach inspired from Ismail, Jan, and Ullah (2020)

Three natures of Shariah competency attributes were designed in the study named:

1. Mandatory Shariah competency attributes (MSCA)
2. Secondary Shariah competency attributes (SSCA)
3. Voluntary Shariah competency attributes (VSCA)

##### **4.2.1 Mandatory Shariah Competency Attributes (MSCA)**

Central bank i.e. State bank of Pakistan and Securities exchange commission of Pakistan (SECP), are the main regulatory bodies in Pakistan for banks, non-banking finance companies, and insurance companies. They have the investigative and enforcement powers to regulate and supervise the financial system of the country. Both the regulatory bodies form some rules and mandatory conditions for the Shariah advisors of banks (Islamic or conventional with Islamic windows) to make them more reliable and Shariah-compliant. The total number of these attributes is nine and they were titled as MSCA 1, MSCA 2, etc. These regulations were named as Mandatory Shariah competency attributes (MSCA).

##### **4.2.2 Secondary Shariah Competency Attributes (SSCA)**

Accounting and Auditing organization for the Islamic financial institutions (AAOIFI) and Islamic financial services board (IFSB) are the globally autonomous

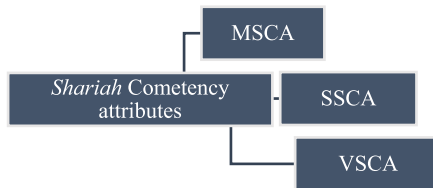


bodies that prepare accounting, auditing, governance, ethics, and Shariah standards for the Islamic financial institutions and the Islamic finance industry. Both of the bodies have a keen interest in the soundness and stability of the financial services in the industry that's why they set some standards related to Shariah advisory board members. These standards were titled in the study as Secondary Shariah competency attributes (SSCA) and these are five in number i.e. SSCA 1, SSCA 2, etc.

#### 4.2.3 Voluntary Shariah Competency Attributes (VSCA)

Apart from the Mandatory Shariah competency attributes and Secondary Shariah competency attributes, in the present study, some of the attributes were set named Voluntary Shariah competency attributes. These attributes were taken from the existing literature related to the Shariah competency of Shariah board members of Islamic banks and Islamic financial institutions. These are not as much important as MSCA and SSCA, but play a significant role in the competency level of a Shariah board member. There are four key attributes in VSCA and are highlighted as VSCA 1, VSCA 2, etc.

All these attributes are shown in the figure below:



**Figure 4.2** Shariah Competency attributes. The Author's own diagram

#### 4.3 Identification of Attributes in each Participant

The competency of each participant was checked in MSCA, SSCA, and VSCA. In all eighteen (18) Attributes, each participant was given a score. If a specific attribute is found in that participant, score 1 is allotted to him. If a participant doesn't have that, score 0 is allotted.

#### 4.4 Analysis Process of each Participant

After the identification, the aggregate score of each participant (MSCA, SSCA, and VSCA) was calculated and highlighted in percentage form.

**4.5 Forming the Competency of each Bank in Percentage**

Based on each participant's attributes, the competency level of each bank was checked by the aggregate formula in percentage.

**4.6 Appointing stars against each bank and their interpretation**

For the classification, and to keep simpler, stars were assigned against each bank. These stars were assigned based on their percentage of competency; 2 stars representing Good Shariah competency level of an individual bank, 3 stars demonstrating Excellent Shariah competency level, and likewise 4 stars specifies excellent Shariah competency level of a bank (Ismail & Jabeen, 2021).

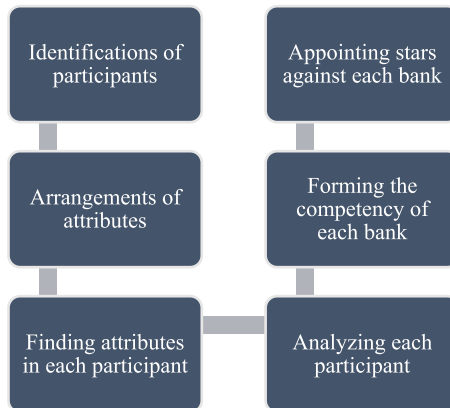
The detail of assigning of stars is as under:

60%-69%	★ ★	Good
70%-79%	★ ★ ★	Excellent
80%-100%	★ ★ ★ ★	Outstanding

**Figure 4.3 Appointment of stars**

**4.7 Analysis process in the conceptual framework**

The whole step-by-step analysis process of the data is shown in the figure below



**Figure 4.4: step-by-step Analysis process adopted from Ismail**

## 5. Findings and Discussions

The primary focus of this section is the interpretation of the findings and a brief discussion on these findings.

### 5.1 Performance of Islamic Banks

This section covers the performance of each Islamic bank briefly. This section displays the category of the banks, and their aggregate Shariah competency scores (ASCS). The aggregate Shariah competency levels of five full-fledged Islamic banks along with their stars are shown in Table 5.1. As far as score is concerned, the aggregate Shariah competency score of all five fully fledged Islamic banks falls between 60%-70% that indicates good Shariah competency level.

**Table 5.1: Performance of Islamic banks in terms of Aggregate Shariah competency score**

Bank Name	ASCS	Level	Category
Dubai Islamic	68%	Good	★★
Meezan Bank	68%	Good	★★
MIB	64%	Good	★★
Bank Islami	62%	Good	★★
Al Baraka Bank	61%	Good	★★

### 5.2 Shariah competency level of Conventional banks with Islamic windows

The Shariah competency level of conventional banks with Islamic windows is relatively higher than fully fledged Islamic banks in terms of aggregate score. 4 banks are excellent in Shariah competency with 77%, 73%, and 71% aggregate scores respectively as shown in Table 5.2. Remaining 13 banks' Shariah competency is good and aggregate score comes within 60%-70%.

**Table 5.2: An overview of Shariah competency level of Conventional banks with Islamic windows**

Bank Name	ASCS	Level	Category
HBL Islamic	77%	Excellent	★★★
UBL Ameen Islamic	73%	Excellent	★★★
Askari Ikhlas Islamic	71%	Excellent	★★★
Habib Metro Sirat Islamic	70%	Excellent	★★★
Silk Bank Emaan Islamic	67%	Good	★★
Al Habib Islamic	66%	Good	★★
BOP Taqwa Islamic	66%	Good	★★
NBP Aitemaad Islamic	66%	Good	★★
Allied Aitebar Islamic	65%	Good	★★
Sindh Bank Sa'adat Islamic	65%	Good	★★
Bank Alfalah Islamic	63%	Good	★★
Faysal Bank Islamic	63%	Good	★★
Summit Islamic Banking	62%	Good	★★
SC Sadiq Islamic	62%	Good	★★
Soneri Bank Mustaqeem Islamic	61%	Good	★★
ZTBL Islamic Banking	61%	Good	★★
BOK Raast Islamic	60%	Good	★★

### 5.3 Shariah Competency level (SCL) of some prominent Shariah advisors

The following Table 5.3 shows the competency level of top ten Shariah advisors, serving different Islamic banks in Pakistan. In the table, Shariah advisors ranked along with their affiliated banks are given in ascending order.

**Table 5.3: Shariah Competency level (SCL) of some prominent Shariah advisors**

Sr.NO	Shariah Advisor	Affiliation	SCL
1	Dr.Tahir Mansoori	Askari Ikhlas Islamic	88%
2	Mufti Ejaz Ahmad Samadani	UBL Ameen Islamic, HBL Islamic	85%
3	Dr. Mufti Imran Ashraf Usmani	Meezan Bank	85%
4	Mufti Taqi Usmani	Meezan Bank	81%
5	Dr. Muhammad Qaseem	Silk Emaan Islamic	78%
6	Mufti Khalil Aazami	Alfalah Islamic, Faysal Islamic bank, NBP, Aitemaad Islamic	73%
7	Prof Dr. Noor Ahmad Shahtaaz	Summit Islamic	73%
8	Dr. Mufti Wasie Fasih Butt	ZTBL Islamic	73%
9	Mufti Hassan Ashraf Usmani	Sindh Bank	73%
10	Mufti Muhammad Zahid	BOP Taqwa Islamic, BOK Rast Islamic, Askari Ikhlas Islamic	61%

## 6. Conclusions and Recommendations

### 6.1 Conclusions

The primary focus of of this section is the conclusions and recommendations of the whole research. The fundamental reason behind the conversion of customers towards Islamic banking is ‘Shariah’. The most knowledgeable authority of

Shariah in Islamic banks is SB of that particular bank. The more competent SB of the bank, the more will be the satisfaction level of the customers. In Pakistan, there is a huge deficiency of Shariah scholars having both traditional Islamic Fiqh knowledge and contemporary education. That's why most of the scholars are affiliated with more than one bank. It's just because of a lack of competent Shariah scholars. If a Shariah scholar is affiliated with two or three banks then how he can manage the activities and transactions of these banks fruitfully. The case of 71 Shariah board members of 22 Islamic banks has been studied and the findings indicate that the common perception of Shariah competency about the Shariah advisors is not correct. Although Shariah advisors have enough knowledge about the Shariah but it's not the only parameter. The scope of the study is limited to develop a framework for the IBs and evaluate the Shariah competency of SSB's members related to Islamic banks operating in Pakistan. Therefore, the performance of the Shariah board member is not the concern of the study. The research provides brief recommendations for the regulator and all the stakeholders to indicate the Shariah competency of SSB's members in developing future policies for them.

## **6.2 Recommendations**

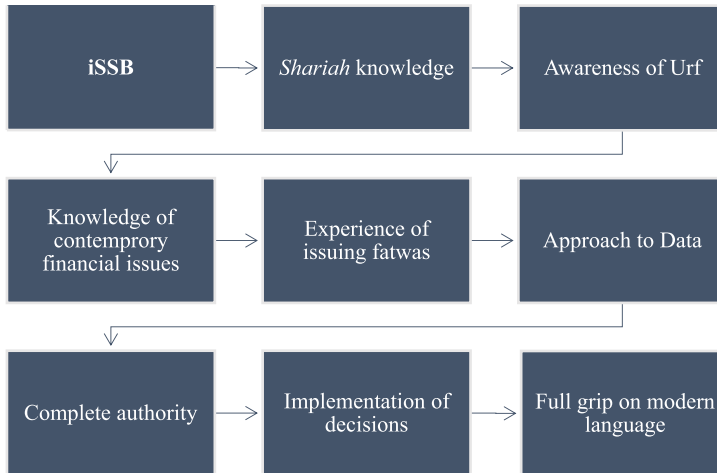
The following recommendations are put forth by the study:

1. It is recommended to the central bank to establish a well-designed policy for the Shariah scholars affiliated with Islamic banking institutions.
2. It is recommended to the central bank to pay salaries to Shariah scholars so that they perform their duties without any self-interest.
3. It is recommended to the central bank to restrict the services of one Shariah scholar to one bank so that he can perform his duties well.
4. It is recommended to IBIs to give complete authority to the SBs in their financial and non- financial activities.
5. It is recommended to the Islamic banking institutions to arrange seminars and conferences for the Shariah board members for their grooming to enable them to compete with the modern world.

## **6.3 Theory Contribution**

The present research study is an effort to establish an ideal Shariah competency framework for Islamic banking institutions in Pakistan by exploring the Shariah

competency level of each Shariah advisor affiliated with Islamic banks. The more competent and ideal Shariah supervisory board (iSSB) is, the more ideal will be the Shariah competency framework. The ideal Shariah supervisory board contains the following characteristics:



**Figure 6.1: Contribution to the Theory**

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## Appendix:1

### List of Abbreviations

IBIs	Islamic Banking Institutions
SG	Shariah Governance
RSBM	Resident Shariah Board Member
SB	Shariah Board
CG	Corporate Governance
BOD	Board of Directors
SBP	State bank of Pakistan
SGF	Shariah Governance Framework
IF	Islamic Finance
IFIs	Islamic Financial Institutions
iSCF	Ideal Shariah competency framework
ISSB	Ideal Shariah supervisory board