

Need of elevating the role of shariah board and portraying them significantly on Islamic bank websites: Why and how?

Tahreem Noor Khan

Al Yamamah University, Riyadh, Saudi Arabia

ARTICLE INFO

Article history:

Received 14 March 2018

Received in revised form

21 April 2018

Accepted 10 May 2018

Published 31 May 2018

Keywords:

Islamic banks

Management

Website marketing

Shariah scholars

ABSTRACT

Islamic banking emerged rapidly to fulfil the financial needs of Muslim consumers, by using different viable modes of Islamic financing. These tools of financing were designed to avoid risk-free return, unjustified increase of money on money and uncertainty. To make these tool authentic, in all Islamic bank, Shariah board members are the pillar of the management structure. The presence of renowned scholars in a bank actually helps to increase the worth of a Shariah financial brand as they are the one who oversee and supervise the activities of banks. However, it is noticed that confusion and misperception exist generally about Islamic banks due to lack of devising authentic products, modes of structure and operational default. To identify the customer perception about Shariah scholars, Online Survey was conducted. In total 92 respondents participated. With that, 14 top Islamic bank websites (Bahrain, Lebanon, Nigeria, Saudi Arabia, Srilanka, Indonesia, Bangladesh, UAE, Pakistan, Malaysia, Kuwait, Jordan, Eygpt, Oman) was observed to figure how they have given importance and exposure to the Shariah board members. The findings suggested that web-marketing could highlight the role of Shariah scholars so that both users and non-users of Islamic banks were able to learn more about the machinery of Islamic financial products. In addition, Shariah board scholars should consciously reconsider and review their past and present approaches so as to perform better in the future.

1. Introduction

The concept of Islamic banking emerged with Islamic economic theoretical work (Hasan al Banna 1949, Abu A'la Mawdudi 1940, Muhammad Baqir AlSadr 1960) undertaken from 1940 onwards. Early Islamic economic theoretical work mainly criticised the materialist ideologies of capitalism and socialism (Chapra, 2000). It urged Muslim countries to reform their banking system according to Islamic injunctions. To gain real profit, they stresses on the avoidance of riba, avoidance of uncertainty and high risk to the banks. After theoretical consideration by early Muslim economists, some countries, including Egypt, Malaysia and Pakistan implemented practical initiatives during 1950-1970 to establish Islamic banking on a small scale (Chachi, 2005). However, the greatest challenge at the initial stage was to set up

a religious standard in banks with no real model to follow. The process of establishing Islamic banks was slowed down by such initial difficulties. However, it later accelerated during early 1980s, due to economic setbacks many Muslim countries discussed theoretical initiative and perspective to establish a riba-free banking system.

Islamic banks such as Islamic Development Bank (Saudi Arabia) and Dubai Islamic Bank (UAE) established before 1976 started their banking operation without any Shariah board of their own, but invited scholars to consult on their banking activities as well as to seek fatwa on specific transactions (Kahf, 2002). The concept of the Shariah board was started for the very first time in 1976 at Faisal Islamic Bank of Egypt, which consisted of selected Egyptian religious scholars (Kahf, 2002). Then the tradition of appointing one or more Shariah scholars with the knowledge of *fiqh muamlat* (Shariah transaction law) (Kahf, 2002). The main roles and responsibilities of Shariah boards in Islamic banks are to verify and issue a report that instruments, documentation, and product structures are according to Islamic economic values (Suleiman, 2000; Haron and Shanmugam, 1997). Also, approving new modes or structures for products and having consultation on difficult interpretation (Karim, 1990; Grais and Pellegrini, 2006). With that, deduction of Zakat or disposal of any non-Shariah compliant earnings is a part of their role and responsibility (Grais and Pellegrini, 2006).

1.1. Literature review - Shariah scholars compensation, competency and consistency issues

Islamic bank products and activities were regarded as being highly dependent on the credibility of Shariah advisors (Kahf, 2004). Every Islamic bank has a Shariah Committee with a different number of members. Conventional banks offering Islamic products also gained Islamic credibility by hiring top-ranking and popular Shariah scholars (Mathews, 2005). Bahraini national Sheikh Nizam Yaquby was the most popular Shariah scholar, holding 77 positions in gulf and international banks. The second most popular Shariah scholar was Syrian national Abdul Sattar Abu Ghuddah. With a PhD in Islamic Law from AlAzhar University Cairo, Egypt, he was found to give Shariah advice at 72 positions in Gulf and international banks). Two prominent Shariah scholars from beyond the Middle East region who played key Shariah advisory roles were Dr. Mohammed Daud Bakar from Malaysia, who sat on 22 boards, and Muhammad Taqi Usmani from Pakistan, who was a member of nine Shariah boards (Fund@Work, 2009). It is indicated that highly paid scholar are closely associated with the banks' management and likely to approve whatever was recommended by them (Wilson, 1994).

For appointing Shariah board members in each country, difference existed in the procedures as well. In Malaysia, restrictions prevent Shariah advisors from serving in multiple banks; therefore, a Shariah advisor can be a member of only one financial institution's Shariah Committee and Shariah Advisory Council at Central Bank of Malaysia oversees all the issues of Islamic banking (Hasan, 2007). However, in the GCC, regulators have imposed no restrictions in this respect (Wilson, 2009).

The competency issue arose because of the number of scholars with limited information about practical banking; indeed, some board members were qualified more in Islamic jurisprudence than in economics, finance or accounting, and tended to lean on the simple rulings of earlier Islamic scholars (Iqbal and Molyneux, 2005). Due to lack of consensus on what qualifications and experience needed for the Shariah scholars in Saudi Arabia (Abbas, 2008), the majority of scholars academically specialised in Islamic jurisprudence, and only a few in law or economics. About 90% of Shariah board members were graduates of Shariah institutions, whereby the command of foreign languages and banking experience were not requirements (Asaad, 2007). Therefore, Islamic banks were limited to only a few sets of financial instruments because of the lack of ready provisions for risk management and low availability of analysis tools. This actually slowed down the process of introducing, structuring and innovating new Islamic banking products (Sanusi, 2007; Vogel and Hayes, 1998; Iqbal and Mirakhor, 1999; Siddiqi, 2001).

With the presence of Shariah scholars, issue of the Islamic finance brand was critically analysed by ElGamal (2007) "First a prohibition is invoked to create market demand for an Islamic alternative. Then using the method of financial engineering, we bundle or unbundle various contracts, possibly using multi steps, to synthesize the ostensibly forbidden practice. Finally, the Islamic brand name for synthetic alternative is established by using Arabic names for the product contracts that are marketed as well as for institutions that market them. And retaining the consulting service of religious scholars, whose name may be familiar to potential customers prior to their involvement in Islamic finance or by virtue of marketing campaigns to establish their legitimacy"(p.10).

Haron (1998) and Dusuki and Abozaid (2007) felt that this criticism prevailed because Islamic banks neglected the profit-loss sharing investments that were considered the essence of Islamic banking (Ahmed, 2005; Ali, 2007). Muḍārabah and Mushārahah two modes of finance ensure justice by allocating resources efficiently, and creating a stable financial system and growth in economy (Khan, 1983; Iqbal and Molyneux, 2005; Errico and Farahbaksh, 2001). Due to practical issues (adverse selection and moral hazard risk issues, costly, high-Risk and lack of long-investment projects), only 5% of the transactions of Islamic financial institutions used Muḍārabah and Mushārahah (Kamali, 2005; Dar and Presley, 2000); Wilson, 1999; Saeed, 1996 p. 76-95; Aggarwal and Yousef, 2000 p. 106; Vogel and Hayes, 1998 . Some financial institutions started assuring/guaranteeing safe and secure profits in Mushārahah and Muḍārabah transactions to make their products more appealing to customers. In this way, these institutions broke the basic law of Islamic finance that requires linking rewards to risks (Warde, 2000, p.5). If profit were guaranteed despite loss, and payment made on a monthly or quarterly basis, the risk factor would be eliminated, making the profit resemble interest. Conversely, to gain certain profits and to facilitate their developments, Islamic banks have depended on some limited and controversial modes of operation (Murābahah/Bay' bithaman ājil). Islamic banks occupied a higher share (80%-95%) on Murābahah financing, but theoreticians of Islamic banks were highly critical of the replacement of 'interest' with 'mark-up- fixed-return', a penalty for delay in payment and bearing lower risk (Aggarwal and Yousef, 2000; Errico and Farahbaksh, 2001; Saeed, 1996; Aggarwal and Yousef, 2000; Dusuki and Abdullah, 2007). Element which distinguish Murābahah from conventional transactions are: simplicity, lawfulness, existence, deliverability, precise sale price, profit known to the customer, bank exposure to risks at each stage of transaction (Iqbal and Molyneux, 2005; Saeed, 1996; Usmani, 2002). However, scholars believed that Murābahah would be an easy way for Islamic banks to abolish ribā (usury) if they followed its techniques correctly (Chapra, 1992). Another Bay' al 'inah is used as a legal device (ḥīla) and necessity (darurah) as a justification to avoid ribā-based finance (Dusuki and Abozaid, 2007; Masum Billah, 2004). Due to the practice of converting interest-banking products to Islamic ones, some believed that Islamic banking was ḥīla banking (legal tricks). Khurshid Ahmad (1994) also pointed towards the issue that banks played tricks to make themselves eligible for a return on banking operations. Under this model, the banks would not actually buy, possess, sell or deliver the goods; rather, the transaction would merely be assumed to have taken place. By signing a number of purchase, sale and transfer documents, they might fulfil a legal requirement, but would do so by violating the spirit of the prohibition of ribā.

Variation in decisions and different rulings caused confusion and unpredictability among customers, as well as Islamic banks and conventional banks providing Islamic services (Wilson, 1994; Warde, 2000 p.228). Lewis and Algaoud (2001) drew attention to the issue that Shariah boards could reverse a previous decision and declare it un-Islamic; also, the board of one school of thought might approve some modes of finance while other schools of thought might reject them. Similarly, scholars of the Middle East criticised Malaysia for indulging in hiyal (use of extra legal to find the solution) by introducing dubious modes of finance to become a worldwide Islamic finance hub (Nienhaus, 2007; Haron, 2004). On the other hand, however, the Middle East (Saudi Arabia and Bahrain) allowed Tawarruq for Islamic credit cards and personal finance (El Gamal, 2003), a mode of finance considered unacceptable by some scholars because of high risk, high cost, complexity and the element of ambiguity in transactions (Al Masri, 2006). Saudi consumers complained about the confusion arising, because of so many fatwas (legal opinions) as to what was a Shariah compliant financial product and what was not. The actual problem was

that no central Shariah advice, monitoring or professional standards were available. All banks based their portfolio decisions on the advice of internal Shariah advisory boards (Arab News, 2005; Wilson, 2004). Due to such concerns, Shariah boards and Islamic banks should re-consider their approaches and behaviour to gain customer confidence (Kahf, 2004). Studies have found that Islamic bank product charges were high compared to conventional products, which disappointed consumers (Metawa and AlMossawi, 1998; Zaman and Movassaghi, 2002; Khan and Bhatti, 2006; Anwar, 2001; Rosly 2003, p.28). The literature also reported that some Islamic banks or conventional Islamic divisions or branches were charging (US \$16-26) or more according to the card type, aside from the annual fees – which meant that the banks were receiving ‘interest’ whether the customer used the card or not (Asharq AlAwsat, 2008). According to the literature, the costs of Islamic bank products were high because of the asset involvement and risk involved during the process (Usmani, 2002). Islamic product costs also included Shariah board members’ fees and the legal and administrative charges (Zaman and Movassaghi, 2002). These issues prevailed because of the lack of internationally accepted guidelines or a standard reference for Islamic bankers to follow. The literature has insisted on several occasions upon the need to form a council where scholars from different schools of thought and experienced senior Islamic bankers would be able to discuss theoretical, practical, emerging and sensitive issues of Islamic finance (Iqbal and Molyneux, 2005). Due to a lack of regulations and supervisory structure, senior bankers have continued to express their dissatisfaction with the development of the supervisory and regulatory mechanism in Islamic banking (Lodhi and Kalim, 2005).

If Shariah banks were to keep following the same technique, they would remain behind in the market, and that could harm their reputation (Anwar, 2000). These actions may help Islamic banks grow in the short term, but in the long term, they could damage their reputation and create the misunderstanding that the system is similar to an interest-based system operating under the disguise of profit. Due to insincere practices and insufficient efforts, it was asserted that Islamic banks had failed to resolve operational loopholes and to achieve the real Islamic economic objective. Such practices and criticisms of Islamic banks by scholars also evoked several questions of morality in the minds of consumers:

Q1: Does the practice of Islamic banks adopt a real strategy to avoid interest or do they simply change the name using Islamic financial terms but copying conventional products to market their products?

This criticism Islamic banks was facing that they either stick to a limited structure of products, or modify or adopt the offerings of conventional institutions to move forward quickly in the market (Anwar, 2000). Apart from the issue of modifying conventional product structures, the main criticism was that Islamic banking catered specifically for wealthy customers (Tahir, 2003; Dasuki, 2008; Kahf, 2004). This had a heavy effect on the reputation of Islamic banks.

Q2: Do Islamic banks charge hidden rates?

Probing further into the issues raised by previous literature, it was revealed that Islamic banking product charges were generally high or costly compared with conventional banking products, while disregarding the unique Islamic product rules and requirements (Metawa and AlMossawi, 1998). However, some scholars justified the practice of charging administrative charges because of the involvement of assets in each transaction (Anwar, 2000; Zaman and Movassaghi, 2002).

Q3: Are Shariah advisors actually performing their role in developing products, or they are just approving and ‘rubber-stamping’ products?

Limited number of Shariah scholars and different Shariah interpretations leading to a loss of confidence in the industry. Divergent opinions of scholars have created confusion in the industry (Zaman and Movassaghi, 2002; Grais, 2006). Zaher and Hasan (2001) conducted a comparative study of 15

countries and deduced that the lack of regulatory framework in Islamic financial institutions posed a great challenge for Islamic banks in terms of formulating uniform standards and policies.

Q4: Is Islamic and Shariah related communication and marketing is clear to customers?

Literature indicated that there is lack of communication with customers and insufficient effort to build relationship by Islamic banks and also lack of service, product and marketing inconsistencies (Dar, 2004; Karbhari et al., 2004; Al Zaabi, 2007; Hassan, 2007; Haron and Ahmad, 2000; Hamid and Nordin, 2001; Maran et al., 2010). Furthermore, homogenous Islamic financial brands and monotonous loyalty marketing made it difficult to differentiate between Islamic and conventional financial strategies (Kahf, 2004). The literature indicated that most Islamic banks marketing messages did not inform their potential customers clearly about the factors that makes them religiously and ethically correct (Wahib, 2007). Kahf (2002) and Wilson (2005) drew attention to the fact that the publicity material and annual reports of Islamic banks did not tell the reader more than that “the bank’s operations are in Shariah compliance”. Simply stating that ‘a product is Shariah-compliant’ was found to be insufficient. The literature also stressed that Islamic banks needed to provide correct, sufficient and clear information about the governing principles of Islamic deposits and investment (Kahf, 2004; Rice and AlMossawi, 2003; Wilson, 2005). The literature further indicated that Islamic banks’ websites focused more on graphics and serving advertising purposes than on technical support to customers (Wilson 2005). Wilson (2005) also stressed the fact that Islamic bank websites should give more explanation about how ribā can be equated with interest and usury, and should elaborate on the principles used by the banks for financing instruments. Also, Islamic banks’ annual reports should be different from the conventional banks’ reports by spelling out a vision based on Islamic principles (Lodhi and Kalim, 2005).

1.2. Research method

There was not a single research that study general perception of customers regarding Shariah Scholars and also evaluate Islamic banks website to understand the presence and exposure of Shariah scholars on Islamic bank websites. It is believed that the findings and suggestions of this research would be beneficial for the Islamic banking sector, helping to repair relationships with customers and to construct appropriate web-marketing of Shariah scholars’ exposure in future. To understand customer perception, short online survey was constructed. And it was posted on Islamic banking social media and networking platform in the month of June 2017. Within six months, 92 respondents filled the survey.

To understand customer perception, short online survey was constructed. And it was posted on Islamic banking social media and networking platform in the month of June 2017. Within six months, 92 respondents participated and filled the survey. The questionnaire contain following questions.

- A. Gender
- B. Are you using Islamic banks?
- C. Nationality and Country of Residence
- D. Do you know every Islamic bank have some Shariah scholars who monitor the transaction?
- E. Do you think customer consider Shariah board Scholars’ name while choosing Islamic Banks?
- F. Do you think there is a need to inform consumer more about Shariah board member names, activities, and their experience?
- G. What will be the best way bank can use to educate consumer about Shariah board members?
- H. To develop more strong relationship with consumers, what suggestions you would like give to Islamic banks and their Shariah scholar members?

Along with the survey, this research further makes an attempt to explore the presence of Shariah Scholars on fourteen Islamic bank websites. Fourteen Islamic banks were selected from the list published

by Global Finance Magazine as Best Islamic Financial Institutions- Country wise (8 May, 2017). The list contain 24 best Islamic banks but for this research selected fourteen banks (Table. 1). Few Islamic banks were not selected due to language issue and also spacing issue. Researcher accessed to selected Islamic bank websites on 12 December 2017 to discover how they portray about shariah scholars on their bank website, Is it significant or it is limited? During country winners best Islamic bank website evaluation, five factors were observed, which are as follows.

1. Number of scholars at bank
2. Visible and accessible link about Shariah scholar at the webpage
3. Qualifications of scholars
4. Pictures of scholars
5. Copies of fatwa

Table 1. List from Global Finance Magazine-Best Islamic financial institutions (May 2017)

Best Islamic Financial Institutions 2017- Country wise Islamic Bank Website Shariah board information	
1. Al Baraka Islamic Bank, Bahrain	2. Arab Finance House, Lebanon
3. Jaiz Bank, Nigeria	4. Al Rajhi Bank, Saudi Arabiq
5. Amanah Bank, Srilanka	6. Bank Muamlat, Indonesia
7. Shahjalal Islami Bank, Bangladesh	8. Abu Dhabi Islamic Bank, UAE
9. Meezan Bank, Pakistan	10. MayBank, Malaysia
11. Boubyan Bank, Kuwait	12. Jordan Islamic Bank, Jordan
13. Faisal Islamic Bank of Egypt, Egypt	14. Bank Nizwa, Oman

1.3. Research findings

1.3.1. Online consumer survey findings

Below are the key points of the conducted online survey:

- A. Survey findings reveal that 61% were Male respondents.
- B. 71% using Islamic bank products and services.
- C. The respondents were from Pakistani living in Pakistan, Asians living in Saudi Arabia, Asians and Arabs in UK, Bangladeshis, Malaysian, Indonesians, Mauritius, Saudis, Jordanian and Emiratis.
- D. The result further shows that 51.11% of respondents are not aware that Islamic bank has Shariah scholars who monitor the transaction.
- E. Do you think customer consider Shariah board scholars' name while choosing Islamic banks? 40% respondents agree that they consider while 60% do not consider.
- F. Do you think there is a need to inform consumer more about Shariah board member names, activities, and their experience?
89.13% says yes.
- G. What will be the best way bank can use to educate consumer about Shariah board members?
TV and Website/Social Media are the most preferred way.
- H. To develop more strong relationship with consumers, what suggestions you would like give to Islamic banks and their Shariah scholar members?
Educating and creating consumer awareness more about products and Shariah board role.
Structuring products considering according to pure Islamic values-establish trust and transparency.

1.3.2. Top fourteen Country winners Islamic bank websites evaluation findings

According to Table 2 (in the Appendix section), the results are extracted during observing best 14 country winners Islamic bank websites for five factors.

1. *Number of scholars at bank:* Among fourteen banks, highest numbers of scholars (six members) found only in two banks May Bank and Shahjalal bank only .
2. *Visible and accessible link about Shariah scholar at the webpage:* Seven banks stated about Shariah scholar link top left under ‘About us’ tab, four banks used Top right located under ‘About us’. Three banks placed tab at the bottom of the webpage. Among all fourteen banks, Shahjalal Bank link for Shariah scholar was very accessible.
3. *Qualifications of scholars:* Seven banks stated the qualification of scholars and seven banks did not.
4. *Pictures of scholars:* five banks posted picture of their Shariah scholar members.
5. *Copies of fatwa:* two banks only provided copies of fatwa on the same page.

2. Suggestions and recommendations

2.1 Elevating the role of shariah board and portraying them significantly on islamic bank websites

This research suggest to increase the presence of Shariah scholar on Islamic bank websites more clear and visible. Through this research it is found that in most cases, the shariah scholar information is found under ‘About us’ tab. Therefore ‘About us’ link need to be the most noticeable on the homepage. And after clicking ‘About us’ it further lead to Shariah scholar tab which should include: Number of scholars at bank, Qualifications or Recent Achievement of scholars, Pictures of scholars and Copies of fatwa. Dedicating an area to users with facts about organization and its history, employees, scholars and Islamic values helps in conveying certain impression. To be exactly in identifying how many users are clicking or accessing ‘About us’ page, Islamic banks should measure the click and visitor numbers and time they spend on that page. They really need to identify, is ‘About Page’ is one of the most-visited pages on their site?. In all case, Islamic banks need to make it easy for users to have a user-friendly and accessible ‘About us’ page. Incase if information is too much on ‘About us’ the users have to keep scrolling to read then in that case for easy navigation it is advisable to create a separate link on the main webpage about Shariah scholar.

The findings of this research suggested that, whether customers considered Shariah scholars’ names or not while choosing Islamic banks, it was still the responsibility of the Islamic bank to disclose the names and qualifications of their Shariah Supervisory Board. Pictures of scholars and email addresses could be added to banks’ websites to enable customers to communicate directly with Shariah scholars. This could remove misconceptions about Islamic banking products and services.

To defend a bank’s Islamic credibility, the goals enshrined within Islamic financial institutions’ mission statements should serve as a foundation for strategic planning, delivering brand service, structuring cost-effective products and motivating staff. More importantly, it should also make customers believe that the elements of mission and vision mentioned in the statement are not exaggerated and artificial, or used only as a formality.

Literature indicate that the most important element overall are those related to honesty portrayed in the advertisement (Purnama and Safira, 2017) further literature also agreed that Muslims should not be considered as a homogenous group and that differences exist even between people of the same religion and nationality. Thus, this emphasizes the need for marketers to really understand the target market that

they are trying to reach so that the consumers by their advertisements. To maintain a competitive edge, their role could be further enhanced by engaging them in resolving external and internal complaints, screening new employees and training new Shariah scholars (Al Nasser, 2009). They should be cautious about certifying any lavish and extravagant ventures, as excessive spending on unproductive projects certainly does not contribute significantly to the community at large, and for that reason must be considered contrary to Islamic values

As literature highlighted that competency in advising and standardisation of Shariah opinion is still present challenges for Islamic banks. The shortage of Shariah scholars might limit the development of new products. Therefore, there should be a proper programme for training young Shariah scholars in banks. Senior scholars can play an important role in bridging this gap. A Shariah-conscious vision is required to move in the right direction. The role of Shariah scholars may be further enhanced by their input in other banking business processes. For example, scholars could play a constructive role in the recruiting process and in developing marketing materials.

Experienced Shariah advisors and senior Islamic bankers should share their experiences with graduates and employees of Islamic banks and conventional banks that offer Islamic products, so that they understand the operational and theoretical issues more clearly. To have more flow of scholars, "Shariah Scholar Stresses Need to Form Mega Islamic Institution." (Khaleej Times, 2007). To strengthen confidence and to increase the transparency factor, the literature believed that Islamic banks needed to disclose the functions of Shariah advisory board and any Shariah-compliant projects that were different from conventional banks (Abdel Khaleq, 2004).

The expectation of Islamic banks was that they should fulfil Islamic economic objectives and contribute socially and morally to society (Dusuki, 2003; Kahf, 2004; Usmani, 2002). In reality, it is unfortunate that Shariah banks have put less effort into developing products for low income consumers. Scholars insisted on the fact that Islamic banks needed to fill the gap by efficiently utilising financial resources and introducing new agriculture finance, education finance and health finance products for the needy, including pensioners, widows, orphans, and rural consumers (Dusuki and Abdullah, 2006; Tahir, 2003; Kahf, 2004). Such a commitment by Islamic banks could balance profit maximisation with social objectives (Haron, 1995; Dusuki, 2003). Wartick and Cochran (1985) therefore believed that maximisation of profit should not be the only criterion for judging banking performance. Rather, the performance of Islamic financial institutions should be evaluated with reference to their contribution to meeting social responsibilities (Hasan, 2005).

Most senior Saudi Shariah scholar, Sheikh Manea, revealed his anxiety that individual scholars developed most of the Islamic banking products themselves rather than making any serious efforts to promote Islamic banking products and services by the official Saudi Central Bank (Emirates 24/7, 2010). To harmonise the different opinions, there is a need has undoubtedly arisen to collaborate with the regulators and scholars of all schools of thought, to centralise all decisions, to discuss Shariah transactional issues and impending operational Islamic banking issues, explore solutions (particularly for any controversial products), and if needed conduct a fresh *ijtihad* on emerging Islamic banking issues. Amid such controversy, the best outcome would be to achieve *ijma'* (consensus) on the subject, not only nationally but among other Muslim countries as well. Close cooperation and networking among Shariah scholars, bankers, lawyers and economists would be required to discuss major issues of Shariah transactions and to provide consensus on the issues (Lodhi and Kalim, 2005). The output of such cooperation would have a greater effect than independent input from each scholar.

The lack of regulatory institutions has consistently posed a great challenge to the development of uniform standards and policies (Zaher and Hassan, 2001). Over the years, a few infrastructure institutions (Accounting and Auditing Organisation for Islamic Financial Institutions, Islamic Financial Services Board, International Islamic Rating Agency and International Islamic Financial Market) have developed

to support accounting standards, regulation, supervision and risk management of Islamic banking. The only concern was that these standards were not being applied seriously by all the countries (Garas, 2007).

To implement Islamic values more seriously, Shariah orientation would be required to build transparent Islamic financial brand identification, attribution, performance and image. Shariah boards should emphasise a Taqwa-centric approach to remove not only riba but also ribah (doubtful) elements from transactions. With reference to that, the literature also suggested that Shariah scholars need to do much more than their main responsibilities of directing, supervising, reviewing and monitoring bank operations. Simply making an extra donation in the case of error in a transaction should not absolve Shariah scholars of their primary responsibility. Consultation, advice, and righteousness in decision, are required, as encouraged in the Quran. Rewarding results and success can only be achieved by the application of Taqwa. Taqwa is a conscious state of mind in which the fear and love of Allah, supremacy and presence of Allah, and watchfulness of Allah and distinction between good and bad develops to please him.

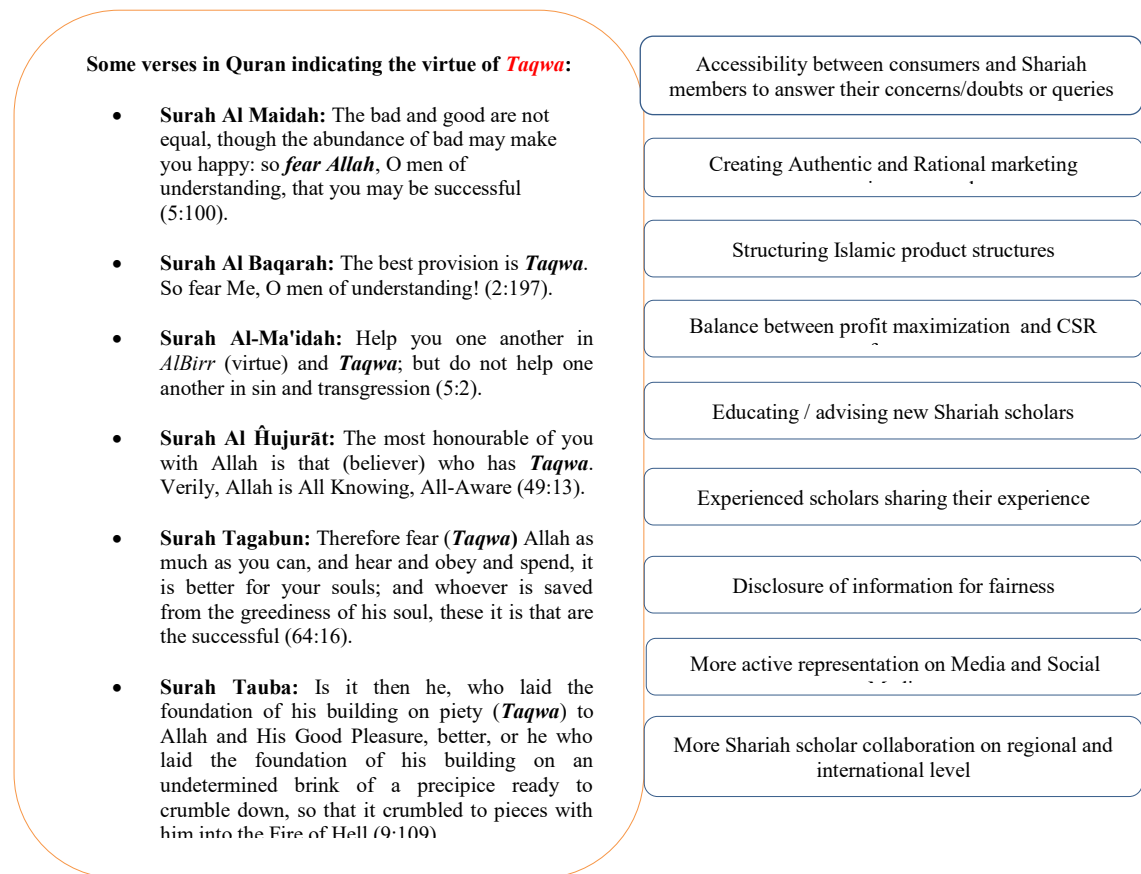


Fig.1. Integration of Taqwa and Shariah conscious vision for significant role of Shariah scholars

References

- Abdel Khaleq, A. (2004). Offering Islamic Funds in the US and Europe. *Texas Transactional law Quarterly*, 18, 6-8.
- Aggarwal, R., & Yousef, T. (2000). Islamic Banks and Investment Financing. *Journal of Money, Credit & Banking*, 32(1), 93-120.
- Ahmad, K. (1994). *Islamic Approach to Development: Some Policy Implications*. Islamabad: Institute of Policy Studies.
- Ahmed, H. (2005). *Operational Structure for Islamic Equity Finance: Lesson from Venture Capital*. Research Paper 69. Islamic Development Bank, Islamic Research and Training Institute.
- Al Masri, R.Y. (2006). Renting an Item to Who Sold It Is It Different from Bay' Al-Wafa' Contract?. *King Abdul Aziz University: Islamic Economic*, 19, 39-42.
- Al Nasser, L.(2009). Administrative Corruption in Islamic Banking. *Asharq ALAwsat* [Saudi Arabia] 25 Mar.
- Al Zaabi, O. (2007). Measuring the Perceived Service Quality: An Empirical Study of Islamic Banks in the UAE. IIUM International Conference on Islamic Banking, Kuala Lumpur. 23- 25, Apr.
- Ali, S. (2007). Financial Distress and Bank Failure: Relevance for Islamic Banks. *Islamic Banking and Finance: Fundamental and Contemporary Issues*. Ed. Salman Syed Ali and Ausaf Ahmed. Saudi Arabia: IRTI/IDB, 99-111.
- Anwar, M. (2000). Islamicity of Banking and Modes of Islamic Banking. International Islamic University, Malaysia. 31 Oct.
- Arab News. (2005). Islamic Finance Put Bankers in a Spot. *Arab News* [Saudi Arabia] 11 Nov.
- Asaad, R. (2007). The Regulatory Framework of Islamic Banking in Saudi Arabia. Presentation. School of Oriental and African Studies, University of London. 2-4 June 2007.
- Asharq ALAwsat. (2008).The Islamic Credit Card Controversy.” *Asharq ALAwsat* [Saudi Arabia] 27 Aug.
- Chachi, Abul Abdelkader. (2005).Origin and Development of Commercial and Islamic Banking Operations. *Journal of Islamic Economics Research Centre*, 18(1), 3-25.
- Chapra, U. (1992). Development Financing: Experience of Islamic Financial Institutions. Third International Conference on Islamic Economics. Kuala Lumpur.
- Chapra, U. (2000). Why has Islam Prohibited Interest: Rationale Behind the Prohibition of Interest. *Review of Islamic Economics*, 9(1), 5-20.
- Chapra, U. (2000). *The Future of Economics: An Islamic Perspective*. Leicester: Islamic Foundation.
- Dar, H., & Presley, J. (2000). Lack of Profit Loss Sharing in Islamic Banking: Management and Control Imbalances. *International Journal of Islamic Financial Services*, 2(1),4-22.
- Dar, H. (2009). *Demand for Islamic Financial Services in the UK: Chasing a Mirage?* Working Paper. Leicestershire: Loughborough University, 2004. Department of Economics. 16 Apr.
- Dusuki, A. (2008). Understanding the Objectives of Islamic Banking: A Survey of Stakeholders' Perspectives. *International Journal of Islamic and Middle Eastern Finance and Management*, 1 (2), 134-146.

- Dusuki, A., & Abdullah, N. (2003). Maqasid AlShari`ah, Maslahah, and Corporate Social Responsibility." *American Journal of Islamic Social Sciences*, 24 (1), 24-45.
- Dusuki, A., & Abdullah, N. (2006). The Ideal of Islamic Banking: Chasing a Mirage?" INCEIF Islamic Banking and Finance Educational Colloquium, Bank Negara Malaysia, Kuala Lumpur. 3 Apr.
- Dusuki, A., & Abdullah, N. (2007). Why do Malaysian Customers Patronize Islamic Banks? *International Journal of Bank Marketing*, 25(3), 142-160.
- Dusuki, A., & Abozaid, A. (2007). "The Challenges of Realizing Maqasid al-Shari`ah in Islamic Banking and Finance." Paper presented at the IIUM International Conference on Islamic Banking and Finance: Research and Development: The Bridge between Ideals and Realities, Kuala Lumpur. 23rd – 25th Apr.
- Dusuki, A. (2007). Commodity Murābaha Programme: An Innovative Approach to Liquidity Management. 5th International Islamic Finance Conference. Kuala Lumpur: Monash University.
- ElGamal, M. A. (2007). Incoherence of Contract-Based Islamic Financial Jurisprudence in the Age of Financial Engineering. Rice University, May.
- ElGamal, M. A. (2003). Interest and the Paradox of Contemporary Islamic Law and Finance. *Fordham International Law Journal*, 27(1), 108-149.
- Emirates 24/7. (2010). Sama under Fire over Islamic Banks. UAE 29 October. Web. <<http://www.emirates247.com/news/sama-under-fire-over-islamic-banks-2010-11-29-1.322814>>.
- Errico, L., & Farahbaksh, M. (2001). Islamic Banking: Issues in Prudential Regulations and Supervision. *Review of Islamic Economics*, 10, 5-39.
- Fund@Work. (2009). *Shariah Scholars in the GCC—A Network Analytic Perspective*. Germany. Web.<www.funds-at-work.com>.
- Garas, N. S. (2007). Internationalisation of Islamic Financial Institutions: Challenges and Paths to Solution. Web. <<http://www.albaraka.com/media/pdf/Research-Studies/Book Internationalization.pdf>>.
- Grais, W., & Pellegrini, M. (2006). *Corporate Governance and Shariah Compliance in Institutions offering Islamic Financial Services*. Working Paper 4054. Washington: World Bank.
- Grais, W., & Pellegrini, M. (2006). *Corporate Governance in Institutions Offering Islamic Financial Services Issues and Options*. Working Paper 4052. Washington: World Bank Policy Research.
- Hamid, Abdul H., & Nordin, A.(2001). A Study on Islamic Banking Education and Strategy for the New Millennium – Malaysian Experience. *International Journal of Islamic Financial Services*, 2(4).
- Haron, S., & Ahmad, N. (2000). The Effect of Conventional Interest Rates and Rate of Profit on Funds Deposited With Islamic Banking System in Malaysia. *International Journal of Islamic Financial Services*, 1(4).
- Haron, S. (1998). A Comparative Study of Islamic Banking Practices. *Journal of King Abdul Aziz University: Islamic Economic*, 10, 25-50.
- Haron, S. (1995). The Framework and Concept of Islamic Interest-Free Banking. *Journal of Asian Business*, 1, 26-39.
- Hasan, Z. (2005). Evaluation of Islamic Banking Performance: On the Current use of Econometric Models. International Islamic University Malaysia (IIUM). 27 Dec.

- Hasan, Z. (2007). Shariah Governance in the Islamic Financial Institutions in Malaysia. Global Conference on Business & Finance, Texas, USA. 4 Jan.
- Iqbal, M., & Molyneux, P. (2005). *Thirty Years of Islamic Banking: History, Performance, and Prospects*. Houndmills: Palgrave Macmillan.
- Iqbal, Z., & Mirakhor, A. (1999). Progress and Challenges of Islamic Banking. *Thunderbird International Business Review*, 41(4), 381-405.
- Kahf, M. (2002). Strategic Trend in the Islamic Banking Finance Movement. Paper presented at Harvard forum on Islamic Finance and Banking. Harvard University, Cambridge, Boston. 6 Apr.
- Kahf, M. (2004). Success Factors of Islamic Banks. Brunei Symposium on Islamic Banking and Finance, Brunei. Jan.
- Kamali, M. H. (2005). *Equity and Fairness in Islam*. Cambridge: The Islamic Texts Society.
- Karbhari, Y., Naser. K., & Shahin, Z. (2004). Problems and Challenges Facing the Islamic Banking System: the Case of the UK. *Thunderbird International Business Review*, 46(5), 521-543.
- Karim, R. A. (1990). Standard Setting for the Financial Reporting Religious Business Organizations: The Case of Islamic Banks. *Accounting and Business Research*, 20, 299-305.
- Khan, M. F. (1983). Profit and Loss Sharing: An Economic Analysis of an Islamic Financial System. Ph.D. Dissertation. University of Michigan.
- Khan, M. M., & Bhatti, I. (2006). Why Interest-free Banking and Finance Movement Failed in Pakistan. *Humanomics*, 22(3), 145-160.
- Lewis, M., & Algaoud, L. (2001). *Islamic Banking*. Cheltenham, UK: Edward Elgar.
- Lodhi, Suleman Aziz, and Kalim Ruksana. (2005). Strategic Directions for Developing an Islamic Banking System. *The Pakistan Development Review*, 44, 1003-1020.
- Maran, M., Jing C. W., Gie Lim Phei, Mun Low Pey and Ping Tan Yew. (2010). Islamic Banking: Selection Criteria and Implications. *Global Journal of Human Social Science*, 10 (4), 57.
- Masum Billah, M. (2004). Islamic Credit Card in Practice. International Cooperative and Mutual Insurance Federation (ICMIF).
- Mathews, O. (2005). How the West Came To Run Islamic Banks. *Newsweek* [New York] 31 Oct.
- Metawa, S., & AlMossawi, M. (1998). Banking Behaviour of Islamic Bank Customers: Perspectives and Implications. *International Journal of Bank Marketing*, 16, 299-313.
- Nienhaus, V. (2007). *Governance of Islamic banks*. Handbook of Islamic Banking. Eds. Hassan, Kabir and Lewis, Mervin. Cheltenham: Edward Elgar.
- Purnamaa , F. & Safira, A. (2017). Investigating Islamic advertising ethics: Perceptions of Indonesian Muslims. *Journal of Emerging Economies & Islamic Research*, 5(2), 43 – 57.
- Rice, G., & AlMossawi, M. (2003). The Implications of Islam for Advertising Messages: The Middle Eastern Context. *Journal of Euro Marketing*, 11(3), 71-96.
- Rosly, S., & Abu Bakar, A. (2003). Performance of Islamic and Mainstream Banks in Malaysia. *International Journal of Social Economics* 30, 1249-1265.

- Rosly, S. (2003). The Role of the Fatwa in Islamic Finance. *Investor's Digest* 16 Jan. 2003. Web. <www.lexisnexis.com>.
- Saeed, A. (1996). *Islamic Banking and Interest: A Study of the Prohibition of Ribā in Islam and its Contemporary Interpretation*. Netherlands: Leiden: Brill, pp,30–50, 76–95, 119–141.
- Sanusi, H. (2007). Islamic Scholars Call for More Attention to Moral than Law. Weblog post. *Global Islamic Finance*. 27 June 2007. Web. 29 May 2010. <<http://www.global-islamic-finance.com/2007/06/islamic-scholars-call-for-more.html>>.
- Sheikh, H. (2007). Shariah Scholar Stresses Need to Form Mega Islamic Institution. *Khaleej Times* [Dubai] 13 July.
- Siddiqi, N. (2001). Problems and Prospects of Islamic Banking and Finance.” Lecture. Center for Near Eastern Studies, University of California. 13 Nov.
- Suleiman, N. (2000). Corporate Governance in Islamic Banking. Web. <www.albab.com/arab/econ/nsbanks.htm>.
- Tahir, S. (2003). Current Issues in the Practice of Islamic Banking. Paper presented at course on Islamic Banking and Finance, Tehran, Iran. 2 -6 Mar.
- Tahir, S. (2003). Islamic Banking and Finance. Central Bank of the Islamic Republic of Iran and Islamic Research & Training Institute. Saudi Arabia, Iran, Lecture.2-6 Mar.
- Usmani, M. T. (2002). *An Introduction to Islamic Finance*. Hague: Kluwer Law International.
- Vogel, F., & Hayes, S. (1998). *Islamic Law and Finance: Religion, Risk, and Return*. Boston: Kluwer Law International.
- Wahib, A.(2007).The Facets of Islamic Economics. *Accountant Magazine* [Pakistan]. July.
- Warde, I. (2000). *Islamic Finance in the Global Economy*. Edinburgh: Edinburgh University Press.
- Wartick, S, & Cochran, P. (1985).The Evolution of the Corporate Social Performance Model. *Academy of Management Review*,10(4), 758-769.
- Wilson, R. (2004). *The Politics of Islamic Finance*. Edinburgh: Edinburgh University Press.
- Wilson, R. (2000). Challenges and Opportunities for Islamic Banking and Finance in the West: The UK Experience. *Islamic Economic Studies*, 7(1), 35-59.
- Wilson, R. (1994). Development of Financial Instruments in an Islamic Framework. *Islamic Economic Studies*, 2(1), 103-118.
- Wilson, R. (2005). Parallels Between Islamic and Ethical Banking. *Review of Islamic Economics*, 10 Dec, 18.
- Wilson, R.(2005). The growth of Islamic banking and product development among Islamic retail banks. *Islamic Retail Banking and Finance: Global Challenges and Opportunities*. Ed. Sohail Jaffer. London: Euromoney, pp.18-28.
- Wilson, R. (2009). *The Development of Islamic Finance in the GCC*. Working Paper. Kuwait Program on Development, Governance and Globalisation in the Gulf States.
- Zaman, R., & Movassaghi, H. (2002). Interest-free Islamic Banking: Ideas and Reality. *International Journal of Finance*, 14(4), 2428-2442.

Global Finance Magazine. (2017). List of Best-Islamic-financial-institutions May 2017- Bank website accessed on 12 December 2017. Weblink <https://www.gfmag.com/magazine/may-2017/best-islamic-financial-institutions-2017-winners-write-ups>.

Al Baraka Islamic Bank. <https://www.albaraka.bh/default.asp?action=category&id=36>.

Arab Finance House: <http://www.afh.com.lb/english/about-us/shariaa-supervisory-board>.

Jaiz Bank: <http://jaizbankplc.com/advisory-committee-of-experts/#1470220562087-ccd124db-9721>.

Al Rajhi Bank: <http://www.alrajhibank.com.sa/en/investor-relations/about-us/pages/sharia-group.aspx#>.

Amanah Bank: <https://www.amanabank.lk/en/amana-bank/sharia-banking>.

Bank Muamalat: <http://www.bankmuamalat.co.id/en/syariah-supervisory-board>.

Shahjalal Islami Bank: <https://www.sjibld.com/Shariah.php>.

Abu Dhabi Islamic Bank: http://www.adib.ae/en/Pages/About_ADIB_ShariaBoard.aspx.

Meezan Bank: <https://www.meezanbank.com/about-us/>.

MayBank: <http://www.maybank2u.com.my/Islamic/en/scoe/about-us/leadership/shariah-committee.page?>.

Boubyan Bank: <https://boubyan.bankboubyan.com/en/about/management/shariah-committee/>.

Jordan Islamic Bank : <http://www.jordanislamicbank.com/en/content/sharia-supervisory-board-ssb>.

Faisal Islamic Bank of Egypt: <http://www.faisalbank.com.eg/FIB/english/about-us/technical-administrative-bodies.html>.

Bank Nizwa: <http://www.banknizwa.om/about/sharia-board/>.

APPENDIX

Table 1. Evaluating fourteen bank Website-Shariah board details of best listed Islamic banks countrywise (Source: Global Finance)

Shariah board details on Islamic bank website of top 14 country wise winners								
	1 <i>Al Baraka Islamic Bank</i>	2 <i>Arab finance house</i>	3 <i>Jaiz Bank</i>	4 <i>Al Rajhi Bank</i>	5 <i>Amanah Bank</i>	6 <i>Bank Muamlat</i>	7 <i>Shahjalal Islami Bank</i>	8 <i>Abu Dhabi Islamic Bank</i>
	Bahrain	Lebanon	Nigeria	Saudi Arabia	Srilanka	Indonesia	Bangladesh	UAE
Number of scholars	1 chairman 2 members	1 chairman 4 members	1 chairman 5 members	1 chairman 1 vice chairman 3 members	1 chairman 1 vice chairman 3 members	1 chairman 2 members	1 chairman 6 members	1 chairman 1 vice chairman 3 members
Visible link at the webpage	At the top left, 'About us' heading, click on Shariah board. Third scholar link is not active...no information is found	At the very top right 'About us' heading then after clicking 'shariah supervisory board' tab found. At the bottom of webpage Shariah supervisor board tab is found again	At the top right 'About us' heading, need to click on the tab 'Advisory committee of experts'	At the very bottom of webpage 'About us' heading after clicking a tab 'shariah group' again click then names can be found.	At the top right 'About us' the click Shariah supervisory council	Under the top left heading click 'About us' and then click on Management Muamlat	Left side bar, very clearly stated 'Shariah Supervisory Committee' heading found then click info found- House address is mentioned	At the Bottom of webpage click 'About us' and then Shariah board – just list found
Qualifications of scholars	√	√	√	×	√	√	×	×
Pictures of scholars	√	√	√	×	×	√	×	×
Copies of fatwa about product	×	×	×	√	×	×	×	×

	9 <i>Meezan Bank</i>	10 <i>Maybank</i>	11 <i>Boubyan Bank</i>	12 <i>Jordan Islamic Bank</i>	13 <i>Faisal Islamic Bank</i>	14 <i>Bank Nizwa</i>
	Pakistan	Malaysia	Kuwait	Jordan	Egypt	Oman
Number of scholars	1 chairman 2 members	1 chairman 6 members	1 chairman 3 members	1 chairman 1 vice chairman 2 members	1 chairman 1 vice chairman 3 members	1 chairman 2 members
Visible link at the webpage	At the top right, 'About us' heading, click on Corporate profile scroll down. Scholars name and detail found	At left side 'About us' heading found and toward the right side there are 6 boxes and one of them is Shariah Committee.	At the very bottom right side under 'About us' heading, Shariah committee is stated no click required. There is a voice listening found which was reading the text on webpage.	At the bottom left 'About us' found then and the click on Shariah supervisory board. Only names are found.	Under the top left heading click 'About us' and then there is a tab of 'Technical and Administrative bodies' click and full page of text found, scrolling down at the end shariah scholar names found	Under the top left heading of 'About us' and then click on Shariah board tab
Qualifications of scholars	√	√	×	×	×	×
Pictures of scholars	×	√	×	×	×	×
Copies of fatwa about product	×	√ In English and Malay language-the most detailed fatwa database Also Ask a scholar option found	×	×	×	×