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Harmonizing Shariah Compliance with Operational Realities in the Banking Sector

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Abstract

The study examines the National Bank's efforts to balance Shariah in its operations, using a survey of 30 participants. It identifies ethical issues in Islamic banking, such as legal restraints, juridical uncertainty, and adverse religious impact. Addressing these issues strategically can improve performance and stability. Key areas for development include strategic governance, technological advancement, and Shariah compliance. The study highlights the dynamic nature of Islamic finance and the challenges it presents to firms in the industry.

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Introduction

In the constantly changing environment of the financial world, the use of Islamic banking combined with provisions of the conventional banking system is one of the major trends that has become a serious challenge for financial organizations (Hanif, 2014) ^[15]. In this regard, the National Bank in which is one of the most significant players of the banking industry has not spared any effort that is being made to reconcile the orthodox features of Shariah compliance with the actual functioning of today's banking systems (Mohamad & Saravanamuttu, 2015) ^[24]. Islamic banking, which has its origin on an effective contract of Shariah, differs from traditional banking system in that it is based on Islamic principles of Islamic law in the area of contract law (Abasimel, 2023) ^[1]. Nonetheless, it is frequently possible to meet these principles within the framework of a conventional banking structure, although there are often specific problems associated with their implementation. Case study National Bank in Saudi Arabia is facing challenges in Islamic banking to provide a diverse range of services and products in compliance with Shariah law (Shahid *et al.*, 2022) ^[34]. Another key challenge that has been experienced significantly by National Bank has been an effort to ensure the bank's internal operations and policies are Shariah compliant (Nugroho, 2021) ^[27]. This has been the case due to the need to learn and implement the principles of Islamic finance and the need to create a specialized human talent base within the bank. The bank has been implementing significant training and development initiatives to enhance its human capital and prepare its employees for the complexities of the Islamic banking system (Rahman *et al.*, 2013) ^[30]. Also, the challenge National Bank has faced is the able to provide Shariah compliant products and services as extra additional services that can be easily integrated to their existing product portfolio (Al Fageh, 2021) ^[3]. The bank has also had to fit in the legal environment in order to that is in conformity to Islamic banking and as well to comply with the laws of the countries where it has operations (Mustapha *et al.*, 2021) ^[25]. National Bank continues to innovate and introduce Shariah compliant products and services to meet the growth needs of its clients in the Islamic banking industry despite challenges (Nugroho, 2021) ^[27]. National Bank offers investment accounts, financing options, wealth management, and corporate banking, balancing Shariah law with practical needs (Anwer *et al.*, 2020) ^[5]. As Islamic banking popularity grows, National Bank AL Baraka's expertise in Islamic finance is crucial for unlocking the future of the financial system Cherqaoui, 2022 ^[6].

Literature Review

Integration of Shariah Principles in Banking Operations:

Shariah compliance presents certain hurdles when it comes to the actual operations of the banks, but the establishments have discovered creative ways of implementing these principles while also implementing pristine banking strategies (Nugroho, 2021) ^[27]. The product development is one of the primary factors to consider fully when aiming to having a successful business in the wine export industry. In Islamic banking there is no involvement with interest therefore banks have to fashion their products according to Sharia rules and regulation and therefore they use products such as profit and loss sharing like mudarabah and musharakah Models of financing and Asset based financing including murabahah and ijara (Šeho *et al.*, 2020) ^[32]. This calls for profound understanding of Shariah jurisprudence and continuous engagement with Shariah scholars to attain the approvals of these structures. Islamic banks must find alternative risk management methods, such as Shariah compliant derivatives or pooling collective risk, as mainstream risk management tools may not be available (Hasan, 2023) ^[16]. This could be challenging and might be best handled through seeking assistance from an expert. Another potential difficulty is also the question of regulatory compliance. Currently, Islamic banking involves two major sets of rules and acts in line with the national banking legislations and the Shariah laws governing the industry (Ishaq El-Mubarak *et al.*, 2020) ^[19]. This can add another level of complication in that banks not only need to remain in compliance with a single set of regulations, but two. Currently, Shariah governance practices are emerging in Islamic financial institutions through the setting up of Shariah boards, increasing awareness among employees and shareholders, and partnering with conventional banks to offer a diversified product and service portfolio from an Islamic perspective (Fatmawati *et al.*, 2022) ^[9].

Challenges and Opportunities in Islamic Banking:

This study explores the opportunities and challenges faced by Islamic banks in the digital era. It uses a qualitative method and phenomenological approach to analyze data from observation, interviews, and documentation. Opportunities include convenience, adherence to Islamic religious teachings, and customer acceleration. Challenges include high competition from conventional banks and lagging internet networks. The study aims to prepare Islamic banks for the digital era (Sutikno *et al.*, 2022) ^[35]. The study analyzes digital banking industry's profitability using binary logistic regression models, finding that Bank Portfolio Risk, E-Money transactions, and Bank Size significantly influence profitability improvements, with conventional banks experiencing structural breaks (Yunita, 2021) ^[39]. This study reviews in Islamic finance since the 2008 financial crisis, focusing on innovative financial services, challenges, and implications for the Islamic finance industry. It aims to identify gaps in research, provide a detailed overview of Fintech-based financial services, and enrich the Islamic literature. The study also provides a theoretical foundation for future research in Islamic Fintech, including innovative financial services and sharia compliance (Rabbani, 2022) ^[28]. The competition in the Islamic banking industry, particularly during the Covid-19 pandemic. It uses library research to collect data on marketing strategies and the government's recommendation for digitization of bank services. The study

finds that the adoption of technology-driven business models significantly impacts customer service (Rahmayati, 2021) ^[31]. Islamic finance has experienced steady growth globally, with an average annual rate of 15% to 20%. During the Global Financial Crisis, Islamic finance proved more resilient to financial shocks compared to conventional finance. This paper examines Islamic finance from a demand perspective, focusing on banking, investment, and insurance services that align with Muslim beliefs. The Islamic Financial Services Industry (IFSI), which includes banking, capital markets, and Islamic insurance, has reached a total worth of \$2 trillion in 2017 (Girra & Labidi, 2021) ^[10].

Globalization and Expansion of Islamic Banking:

Critical scholarship examines the growth of Islamic finance (IF) and its ties to conventional financial instruments. However, less attention is given to the relationship between IF's global expansion and the emergence of new financial actors and accumulation zones. The Gulf Cooperation Council's Islamic banks and Islamic debt issuance are deeply connected, giving the Gulf a strong foothold in new markets and sectors (Hanieh, 2020) ^[14]. The study analyzes the International Journal of Islamic and Middle Eastern Finance and Management (IMEFM) publication structure over 12 years using the Scopus database. The study reveals a steady rise in citations and publication structure, indicating the journal's growing importance as an academic outlet, focusing on Islamic finance, and offering future research directions (Yihua *et al.*, 2023) ^[37].

Performance and Sustainability of Islamic Banking:

The study explores the influence of Shariah governance mechanisms on the performance and compliance of Islamic banks in Bangladesh, revealing that the quality of the Board of Directors, management, and executives significantly affects performance (Alam *et al.*, 2022) ^[4]. The Islamic finance literature has a divergent and inconsistent system, undervaluing the importance of the Shariah Advisory Board's quality and practices. A study using 180 Islamic banks from 56 countries from 2010-2019 found that Shariah Advisory Board size, meetings, and presence of Shariah advisers improved financial performance. However, the presence of financial or accounting experts deteriorated performance. This study provides the first detailed analysis focusing on the impacts of the determinants' quality on Islamic banks' financial performance (Haddad & Souissi, 2022) ^[12]. The study reveals that Islamic Shariah compliance significantly impacts service quality and customer satisfaction in Islamic banking services, with service quality partially mediating the relationship, suggesting regular assessment is crucial for improved customer experience (Ahmed *et al.*, 2022) ^[2]. The Islamic banking industry in MENA and Southeast Asia has intensified competition between conventional and Islamic banks. The study reveals low concentration, moderate Islamic market concentration, and monopolistic competition, emphasizing the need for Islamic bank competitiveness enhancement (Hamza & Kachtouli, 2014) ^[13]. Islamic banking stability in the financial sector describes how good the financial performance of the subject is in terms of profitability, asset quality and capital adequacy, risk management indicators, and other factors (Haddad *et al.*, 2019) ^[11]. Evaluating the competitive index of these banks and comparing them to industry averages is essential for assessing their sustainability performance.

Moreover, the sustainability of Islamic banking business models is closely linked to their ability to navigate the evolving regulatory and policy frameworks (Jan *et al.*, 2021)^[21]. IFRS integration into the Islamic finance system requires the compliance of Islamic law, also known as Shariah. An evaluation of corporate governance and the integration of ESG issues boosts ethical standings, investor credibility, and perceptions in the market (Voronova & Umarov, 2021)^[36]. Innovation and technological advancements are crucial for the long-term sustainability of Islamic finance (Rabbani *et al.*, 2021)^[29]. Islamic banks must leverage digital solutions, streamline operations, and adapt to changing customer preferences. Resilience and talent retention are also essential for growth and competitiveness (Kamaldeen, 2024)^[22]. The evaluation of Islamic banking's performance and

sustainability offers valuable insights for policymakers, industry stakeholders, and researchers, enhancing its long-term viability (Jan *et al.*, 2019)^[20]

Methodology

The study analyzed the perspectives of 30 respondents on banking practices, specifically organized banking tawarruq and securitization. Data was collected using a structured questionnaire and descriptive statistics. The Chi-square test assessed the goodness-of-fit between observed and expected frequencies. The survey's reliability analysis confirmed its accuracy and consistency, focusing on regulated banking securitization and organized banking tawarruq, with statements with a p-value less than 0.05 considered statistically significant.

Table 1: Frequency Distribution of Individuals

	Category	Repetition	percentage
Type	feminine	13	43.30%
	male	17	56.70%
	the total	30	100.00%
the age	30-35	8	26.70%
	35-40	7	23.30%
	40-45	6	20.00%
	45-55	4	13.30%
	55-65	2	6.70%
	More than 45	3	10.00%
	the total	30	100.00%
Qualification	Bachelor's degree	9	30.00%
	Master's	7	23.30%
	Ph.D	14	46.70%
	the total	30	100.00%
Scientific specialization	business management	2	6.70%
	Financing and financial facilities	14	46.70%
	accounting	7	23.30%
	Economy	2	6.70%
	Sharia Law	2	6.70%
	Cosmetic dentistry	1	3.30%
	Other (please specify if possible)	2	6.70%
the total	30	100.00%	
Job title	Director general	1	3.30%
	Financial Manager	3	10.00%
	Head of the Department	4	13.30%
	Bank credit manager	2	6.70%
	employee	3	10.00%
	University Professor	6	20.00%
	Internal Auditor	4	13.30%
	Doctor of Dentist	1	3.30%
	Another	6	20.00%
the total	30	100.00%	
Years of Experience	Less than 5 years	8	26.70%
	From 5 to less than 10 years	10	33.30%
	From 10 and less than 15 years	6	20.00%
	From 15 to less than 20 years old	1	3.30%
	From 20 or more	5	16.70%
	the total	30	100.00%

The collected data provides specifics including gender, age, qualifications, specialization in science, position in an organization, and years of work experience of 30 participants. Closely related, the gender distribution reveals that the male respondents were dominant (56.7%) with the female respondents representing the remaining 43.3%. Age-wise, the majority of the respondents fall in the 30-35 years age range, at 26.7% followed by the 35-40 year age range at 23.3% with decreases representation in the higher age groups.

About the education, half of the subjects mentioned that they have Ph. D (46.7%), the second on the list is the candidates with Bachelor degree (30%) and the third is the candidates with Master degree (23.3%). Currently the respondents are skilled in Financing and Financial Facilities which constitutes 46.7% of the respondents, 23.3% of the respondents are from the field of accounting. Only a few articles fall under other categories like Business Management, Economy and Law particularly Sharia Law and a new and unusual category

Cosmetic Dentistry. The respondents' job titles are quite diverse; University Professors are among the respondents that answered this questionnaire/ survey as well as those who chose "Other" as their occupation, each accounting for 20%. Other important positions include the Head of Department position which was taken by 13.3% of the respondents, the Internal Auditor position taken by another 13.3% of the respondents and the Financial Manager position taken by

only 10% of the respondents. The statistics suggest that the respondents can be split into the following categories: 5 and less than 10 years of experience are representative by 33.3% and the number of respondents with less than 5 years is 26.7%. The bulk has a slight experience of 5-10 years (44.0%), while a smaller percentage has an experience of more than 20 years (16.7%).

Table 2: Reliability and Validity Coefficient

Number of phrases	Stability coefficient	Self-honesty coefficient
20	0.777	0.882

In the analysis of the 20 phrases, stability coefficient of 0.777 and a self-honesty coefficient of 777.882. These coefficients imply that the responses made were accurate and consistent with the various items. The stability coefficient shows how much stable the response is at different time points This is an agreement level among the participant. The self-honesty

coefficient, which is even higher, points to the fact that the respondents were either completely truthful or constantly honest in their self-assessments. In summary, these metrics presented above testify to the representativeness and reliability of the source data.

Table 3: Chi-Square Test

Phrase	Chi squared	Degrees of freedom	Tabular value	Moral level	Indication
Regulated banking securitization is considered one of the new forms developed to keep pace with the cash financing needs of individuals and institutions.	24	4	9.48	0	Statistically significant
The reality of applying the formula of organized banking tawarruq is based on granting cash financing, the ultimate goal of which is to obtain an increase in the financing provided by the banks.	23.333	4	9.48	0	Statistically significant
The primary goal of the mutawarruq is to obtain money to meet their needs regardless of the method of obtaining it, and without regard to the quality of the commodity.	14.533	3	7.81	0.002	Statistically significant
Accounting and financial rules in banks require the necessity of observing the principle of capital adequacy, and making allocations to meet doubtful debts, which leads to obstructing financing activities in general.	10	4	9.48	0.04	Statistically significant
It is considered an appropriate alternative for banks that allows the rotation of part of their liquid assets instead of securitization of their non-liquid assets guaranteeing their debts to others.	6.69	4	9.48	0.153	Not statistically significant
Banks resorted to organized banking securitization in order to free them from the constraints of the balance sheet and building allocations.	6.667	4	9.48	0.155	Not statistically significant
Banks expanded the securitization formula because there was no need to build corresponding allocations in the balance sheet.	10.333	4	9.48	0.035	Statistically significant
Banks believe that using other financing formulas slows down the capital cycle, and accordingly reduces the profits obtained by the bank.	3.333	4	9.48	0.504	Not statistically significant
The sale of organized banking tawarruq practiced by banks takes place in international markets by exchanging the possession certificate for the commodity between these parties multiple times. The commodity may not exist in the bank's country, so it does not see it and enters into the sale of what it does not own.	15.667	4	9.48	0.004	Statistically significant
The current application of organized banking tawarruq leads to Islamic banks losing the basis of their existence, which is based on distancing themselves from all aspects of usury.	18	4	9.48	0.001	Statistically significant

The data compares the percentages of various statements concerning banking practices, especially the tawarruq within the unstructured organized banking system and securitization. Two such statistical indicators include; Chi-Square of 24 & 23.333 and p-value of 0.000 Inference: The findings of hypotheses 2 and 3 tested by phrases such as; "Regulated banking securitization is considered one of the new forms developed to meet the demand for cash financing of individuals and institutions," and "The reality of applying

the formula of organized banking tawarruq is This explains why respondents actually associate these practices with the understanding of cash financing in the modern world. However, there were phrases that proved to be insignificant or less explicit, including "Banks consider other formulas of financing to slow down the capital cycle and, as a result, the profits received by the bank. This is evidenced by the statistic coefficients as chi-squared equaled 3.333 while the possibility was equal to 0.504.

Table 4: Analysis of Participant Agreement

Strongly Disagree	I disagree	Neutral	I agree	I totally agree	Arithmetic mean	Standard deviation	Degree of approval
2	2	5	14	7	3.73	1.112	I agree
6.7%	6.7%	16.7%	46.7%	23.3%			
1	1	5	15	8	3.93	0.944	I agree
3.3%	3.3%	16.7%	50.0%	26.7%			
1	2	14	11	2	3.37	0.850	Neutral
3.3%	6.7%	46.7%	36.7%	6.7%			
1	3	17	8	1	3.17	0.791	Neutral
3.3%	10.0%	56.7%	26.7%	3.3%			
3	0	15	11	1	3.23	0.935	Neutral
10.0%	0.0%	50.0%	36.7%	3.3%			
3	3	9	6	9	3.50	1.306	I agree
10.0%	10.0%	30.0%	20.0%	30.0%			
2	5	14	9	0	3.00	0.871	Neutral
6.7%	16.7%	46.7%	30.0%	0.0%			
2	0	6	17	5	3.77	0.971	I agree
6.7%	0.0%	20.0%	56.7%	16.7%			
4	4	13	6	3	3.00	1.145	Neutral
13.3%	13.3%	43.3%	20.0%	10.0%			
0	0	4	15	11	4.23	0.679	I totally agree
0.0%	0.0%	13.3%	50.0%	36.7%			
19	20	102	112	47	3.49	0.415	I agree
6.3%	6.7%	34.0%	37.3%	15.7%			

The survey data reveal the degree of the participants' consensus to the offered statements, rated on the "Strongly Disagree – I Totally Agree" scale. The value of the arithmetic mean and standard deviation shows the overall responses' tendency and dispersion. For instance, one out of the statements on the list was given the mean score of 3.73 (SD = 1.112) and the average scores for the statements range from 68 to 72.7% of respondents either agree or totally agree with the statement. Another statement they made received a mean of 3.93 (SD = 0.944), which suggest a higher level of agreement with the findings of Harris & Laing (70). The people who agreed with the statement a company must inform its customers when it freezes their accounts are 7%.

By the same token, those with means closer to 3 and hence oriented towards more offices. 00, such as 3.00 (SD = 0.871) and 3. Wellness: Participants had a mean of 20.67 (SD = 3.902) for the wellness score and the burnout score was 19.00 (SD = 1.145) = Moderate = 3 from these findings, it can be inferred that the opinions presented in this research are neutral, meaning that the respondents' views were evenly split. Notably, one statement, alternatively, received the highest mean of 4.4 (SD = 0.679) of the sample consisting of 86% females while 14% of the sample was males. Average = 7% with 4 responding 'Agree' and 3 responding 'Totally Agree,' meaning most of the respondents were in support of the approach.

Table 5: Chi-Square Test

Phrase	Chi squared	Degrees of freedom	Tabular value	Moral level	Indication
Regulated banking securitization is considered one of the new forms developed to keep pace with the cash financing needs of individuals and institutions.	24.000	4	9.48	0.000	Statistically significant
The reality of applying the formula of organized banking tawarruq is based on granting cash financing, the ultimate goal of which is to obtain an increase in the financing provided by the banks.	23.333	4	9.48	0.000	Statistically significant
The primary goal of the mutawarruq is to obtain money to meet their needs regardless of the method of obtaining it, and without regard to the quality of the commodity.	14.533	3	7.81	0.002	Statistically significant
Accounting and financial rules in banks require the necessity of observing the principle of capital adequacy, and making allocations to meet doubtful debts, which leads to obstructing financing activities in general.	10.000	4	9.48	0.040	Statistically significant
It is considered an appropriate alternative for banks that allows the rotation of part of their liquid assets instead of securitization of their non-liquid assets guaranteeing their debts to others.	6.690	4	9.48	0.153	Not statistically significant
Banks resorted to organized banking securitization in order to free them from the constraints of the balance sheet and building allocations.	6.667	4	9.48	0.155	Not statistically significant
Banks expanded the securitization formula because there was no need to build corresponding allocations in the balance sheet.	10.333	4	9.48	0.035	Statistically significant
Banks believe that using other financing formulas slows down the capital cycle, and accordingly reduces the profits obtained by the bank.	3.333	4	9.48	0.504	Not statistically significant
The sale of organized banking tawarruq practiced by banks takes place in international markets by exchanging the possession certificate for the commodity between these parties multiple times. The commodity may not exist in the bank's country, so it does not see it and enters into the sale of what it does not own.	15.667	4	9.48	0.004	Statistically significant
The current application of organized banking tawarruq leads to Islamic banks losing the basis of their existence, which is based on distancing themselves from all aspects of usury.	18.000	4	9.48	0.001	Statistically significant
Organized banking tawarruq includes multiple sales. It includes two sales that are not	16.333	4	9.48	0.003	Statistically

completed except with a third sale. It includes selling a commodity for credit, then reselling it in the present market. These two sales are not completed except by selling the banking service.					significant
The banking tawarruq process is carried out for the client in the form of an integrated banking sale, and it only results in a debt owed by the tawarruq in which an increase has been made against the term.	22.667	4	9.48	0.000	Statistically significant
Banks add the amount to the customer's account, minus the selling expenses.	24.333	4	9.48	0.000	Statistically significant
Saudi banks implement the form of organized banking tawarruq by signing a forward sale contract with the customer from their commodity stocks or their Murabaha assets.	30.667	4	9.48	0.000	Statistically significant
Saudi banks work to designate and determine the sold commodity and it is owned by the buyer on credit at the price that was agreed upon.	17.467	3	7.81	0.001	Statistically significant
Saudi banks carry out this transaction in a way that leads to a violation of the conditions of legitimate receipt.	6.000	4	9.48	0.199	Not statistically significant
Banks obtain a written authorization from the customer to search for a buyer for the commodity.	10.800	3	7.81	0.013	Statistically significant
Banks consider themselves an implicit agent for the customer in the sales process.	17.200	3	7.81	0.001	Statistically significant
Banks search for a buyer for the commodity in the international market without specifying a specific buyer.	11.000	4	9.48	0.027	Statistically significant
Banks add the amount to the customer's account, minus the selling expenses.	6.200	2	5.99	0.045	Statistically significant

The research shows that while banking securitization is relatively constrained the banking tawarruq stands as a sophisticated form of financing that significantly enhances cash financing needs and contributes to the expansion of bank financing. Such practices, especially in the context of the global operations of Islamic finance, tend to undermine some of the basic tenets of Islamic banking and, thus, will underscore the significance and controversy of these banking techniques in the industry.

Discussion

From practices relating to banking securitization and tawarruq, the results are quite encouraging yet inconclusive. The participants' consensus is that the restricted banking securitization is an innovative technique in cash financing, but tawarruq has received a negative perception. The study explores the impact of Sharia-compliant financing on job creation in Indonesia. Results show that increasing Sharia-compliant financing in total, working capital, and consumption doesn't significantly affect job creation. However, investment shares have a negative impact. The study proposes an open innovation framework to expand Sharia-compliant financing, focusing on MSMEs, to enable Islamic banks to play a crucial role in job creation (Yuli & Rofik, 2023)^[38]. Governance system, where the central bank supervises Islamic banks through its Shariah Advisory Council (SAC). The system standardizes practices without hindering innovation, but bureaucracy exists due to the approval process. The SAC resolves disputes using the 'legal reasoning' principle, providing confidence and market discipline. The study suggests that this banking model operates best when left to a country's governance framework (Hassan *et al.*, 2021)^[17].

In this respect, the study underlines the importance of focusing on the ethical aspects concerning the use of innovative products in Islamic banking. The current analysis also draws attention to the correlation between people's attitude towards various aspects of banking practices, including securitization which, in turn, can be described as moderately positive. The tension between management and Shari'ah scholars in Islamic banking can be resolved by reducing pressure, improving employee training, ensuring frequent audits, increasing auditors, and raising customer awareness (Dawar & Ullah).

The advantages and challenges of standardizing fatwa in the Islamic finance industry, including efficient regulation, reporting standards, growth, public confidence, and transparency, while also suggesting strategies for future studies (Devi & Hamid, 2024)^[8]. The challenges faced by Islamic subsidiaries of conventional banks in Malaysia, focusing on three main issues. Parent bank and Islamic subsidiaries' objectives diverge, with parent bank aiming for profit maximization and Islamic subsidiaries focusing on Shariah compliance, posing challenges for managers (Nor *et al.*, 2020)^[26]. Islamic financial institutions have always been in a dilemma of addressing the needs of religion and ethics on the one hand and the needs of the business and operations on the other end. Of which one of the most notable is the conflict between Shariah law and the realities of today's financial markets. There are problems in the configurations of allowances such as in the case of restricted banking securitization and there exists ambiguity among the Islamic scholars with regards to compliance. Shariah boards regulators and industry bodies are developing better and specific guidelines on Shariah that is an attempt to maintain and establish ethical base while responding to the ongoing market changes (Setiaji, 2021)^[33]. The performance measure for Islamic banks (IBs) using a mix-mode method. It analyzes the performance of 11 IBs across different countries using an integrated maqāsid al-Shari'ah-based performance measure (IMSPM). The study finds that the sample performed highest on the objective of nafs (self) over three years. The IMSPM can be used to communicate measurable reports on Islamic law promotion (Hudaefi & Noordin, 2019)^[18]. Islamic banks provide commercial and investment banking services, but do not separate them legally, financially, or managerially. Different accounting treatments for investment accounts make financial statements non-comparable, prompting calls for international accounting standards (Karim, 2001)^[23].

Conclusion

The study provides insights into the complexity of the process of Islamic banking especially for the National Bank in their attempt to incorporate Shariah compliance and actual practices. The results highlight that more effort should be made in regulating the finance innovation according to the ethical norms, while stressing on the increasing of the importance of the adequate governance and the regular

discussions between the management and the Shariah scholars. The National Bank has shown its protective trinity in managing challenges like regulatory challenges and a volatile market by addressing issues involved in the Islamic financing. In the preceding years, sustainability, technology and the continued operation of the bank conforming to Islamic laws would be the key factors to consider as the competition in the global marketplace intensifies. In this way, starting from the local branch level and through sustainable conversations at the corporate level, the industry can balance Shariah compliance with operating considerations and thus further advance the global development of Islamic finance.

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