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## **Title – Sharia Boards, Managerial Strategies and Governance Practices in Islamic Banks: Critical Insights using Goffman’s Lens**

**Purpose** – The study applies Erving Goffman's (1974) “frame analysis” principles to examine how Sharia governance is practiced in Islamic banks and explores the interaction and strategies adopted by bank managers to influence the decisions of Sharia scholars. The study also aims to identify inherent flaws in the Sharia compliance review system.

**Design/methodology/approach** – The study employs the principles of Goffman as a lens to critically analyse a rich dataset obtained through interviews undertaken with 46 key players operating in the governance framework of the Malaysian Islamic banking industry due to its progressive Islamic governance framework.

**Findings** – The study demonstrates that managers of Islamic banks may engage in 'passing' and 'covering' strategies while interacting within the governance structure. Concurrently, Sharia boards (SBs) implement 'protective practices' during their interactions, adding complexity to their responsibilities within the banks. Consequently, SBs cannot merely be viewed as instruments for legitimising banking operations. This raises questions about the 'impression management,' 'concealment,' and 'competence' strategies employed by managers and SB members, as suggested by Goffman's framework. These findings indicate that there is room for further enhancement in the governance practices of Islamic banks.

**Research limitations/implications** – Future research could explore aspects related to the governance of Islamic banks, such as investigating the independence and effectiveness of internal Sharia officers. Examining the strategies employed during their interactions with external Sharia boards and other stakeholders could provide further valuable insights.

**Practical implications** – This study focuses on the practical interactions between bank managers and SBs within the context of Islamic banks, applying Goffman's "frame analysis" principles to the governance process. By highlighting shortcomings in the compliance review process, the findings could serve as a valuable resource for policymakers. The insights derived could inform the development of regulations aimed at reducing opportunistic behaviour and promoting accountability in the Islamic banking sector.

**Originality/value** – This study uniquely employs Goffman's concepts of 'frontstage' and 'backstage' strategies to offer insights into the interactions between Islamic bank managers and SBs, and the impact of these interactions on Sharia compliance. By utilising Goffman's principles, the research contributes to the understanding of the dynamics involved in the governance of Islamic banks and the factors influencing their adherence to Sharia principles.

**Keywords:** Goffman framing; Islamic banks; Sharia boards; Compliance; Independence.  
**Paper type:** Research Paper

## 1. Introduction

Recent market surveys indicate that the Islamic finance industry's value is approximately USD 2.5 trillion and maintains a healthy annual market growth rate bordering double-digit percentages (IFSB, 2022). There has also been a rapid increase in the number of Islamic financial institutions (IFIs) registered as conducting Sharia-compliant activity in 76 countries. These institutions compete with traditional banks despite restrictions on their business models, which govern their income and investments (Syakhroza et al., 2018). As a result of the expansion of Islamic financial institutions (IFIs) and other Sharia-compliant companies such as Takaful (Islamic insurance), Islamic micro-finance, and cooperative institutions, there is ongoing research to develop Islamic financial institutions' capacity to cater to a larger swathe of customers (Ullah et al., 2014; Karbhari et al., 2018; Mergaliyev et al., 2021). There is also a call for critical scrutiny of the current principles underpinning Islamic accounting, economics, and finance (for example, Kamla & Alsoufi, 2015; Kamla & Haque, 2019).

Prior literature tends to overlook the *bona fide* purpose of IFIs, which is to contribute to society's common good and general welfare through their religious-oriented business approach (Khan, 2010; Ullah et al., 2018). IFIs are guided by strict adherence to Islamic norms and values, such as avoiding operations that involve elements of *riba* (interest), *gharar* (uncertainty), *maysir* (gambling), alcohol, tobacco, drugs, and any activity that could bring potential harm to society (El-Gamal, 2006). The operations of IFIs are designed to contribute to social welfare and add economic value.

IFIs have a broader responsibility beyond profit maximisation and legal compliance (Hahn, 2015; Aguilera et al., 2008; Christopher, 2010; Aguilera & Jackson, 2003; Filatotchev et al., 2008). Recently, focusing on institutional theory and its relevance to effective Sharia governance for IFIs, Karbhari et al. (2021) argue that Sharia frameworks should intrinsically comprise robust structural governance arrangements to allow Islamic banks to safeguard oversight and responsibility of the board of directors, management and particularly, Sharia boards (SBs).

Unlike prior research on Islamic banking and finance, this study examines the complex interplay between the various actors involved in the Sharia governance of IFIs. We draw on the theoretical principles of Erving Goffman to unveil how Islamic bank managers (i.e., CEOs as well as Heads of internal Sharia departments and their internal Sharia audit staff) manage and interact with Sharia scholars serving on SBs to meet their expectations. Accounting researchers have, indeed, employed the dramaturgical writings of Goffman and considered it to be an effective tool for analysing social interactions and obtaining an understanding of the dynamics underpinning individuals' actions and behaviours (see, for example, Neu, 1991; Grey, 1998; Anderson-Gough et al., 2001; Sharma, 2007; Vollmer, 2007; Jeacle, 2008, 2012, 2014; Solomon et al., 2013; Ferry et al., 2018; Lorino et al., 2017; Parker and Warren, 2017; Cho et al., 2018; Parker et al., 2019; Dunne et al., 2021). The "frame analysis" approach advocated by Goffman (1974) is highly appropriate for exploring how individuals exercise their moral obligations and impressions. Besides, framing enables understanding of individuals' behavioural realities both critically and methodically, given that the entire process of Islamic governance is sophisticated, immersed in religious principles, and highly complex due to the interplay between the diverse actors and stakeholders. In encapsulating individuals' 'impression management'

and other performing rituals, we aim to explore the underlying motivations of individuals involved in the process and establishment of Sharia compliance, considering the substantial role that IFIs play within Islamic societies. We view Goffman's approach as fitting to our study as it captures the relevant structural factors that directly affect individuals' interactions and what makes them act or behave in a specific manner (Goffman, 1974).

Moreover, Goffman's "frame analysis" enables us to identify strategies (i.e., passing and covering) used by the actors (i.e., bank managers and members of the internal Sharia board) to align their interests to those of the audience (external Sharia scholars) and use this as an approach to manage what Goffman (1963) refers to as their Stigma (see Goffman, 1963; Jeacle, 2008; Solomon et al., 2013). These strategies entail elements of impression, intentionality, fabrication, concealment, and embarrassment. The emotions steering individuals' interactions are thought to be particularly influenced as performers want to look conversant and professional toward their audiences. This applies, for example, to the way investors want to appear to their investees as they prioritise their financial concerns over social and environmental related matters (Solomon et al., 2013) or how the Big Four auditors react to public scrutiny in relation to the Irish Banking crisis (Dunne et al., 2021). Drawing on Goffman's work on impression management and stigma management, Jeacle (2008) highlights how understanding identity construction is an integral part of the accounting profession's recruitment activities.

The application of frame analysis in this study helps unravel how Sharia governance practices are exercised and what values or norms affect them. This allows a deeper understanding of the main factors driving Sharia governance, enabling a much better grasp of the elements underpinning the way actors exercise their roles intending to meet the moral and ethical demands of Islamic banks stakeholders. The roles played by the actors, as part of their expected course of actions, are judged considering the audience's views of what is presented to them to provide a verdict and establish whether the bank is Sharia compliant. As a final step in adopting Goffman's theoretical lens, we use the actual decisions performed by bank managers and Sharia scholars to discern if their acts represent success or failure in fulfilling the obligations of Islamic banks.

Given this setting, we undertake a threefold investigation of issues deemed relevant to the general application of Goffman's "frame analysis" relating to the operations of Islamic banks. First, we explore Sharia governance and assess how it applies to IFIs in Malaysia which is perceived to have an enviable governance framework in the Islamic world. Second, we examine the main strategies managers of Islamic banks adopt when dealing with Sharia scholars. We refer to the principles of Goffman framing, including impressions, role performance, concealment, and embarrassment, in discussing each strategy and providing responses from the main actors to support our assertions. This enables us to extend our understanding of the application of Goffman's theoretical lens to new environments in which religion/Sharia plays a significant part in governing Islamic banks. Finally, we analyse any inherent flaws in the sharia compliance review system. To the best of our knowledge, this study provides the first systematic exposition of Goffman's work in relation to Sharia governance in IFIs, thereby adding a novel dimension to the Islamic banking and compliance literature.

Our extensive interview data (i.e., 46 interviews) allows us to scrutinise how managers of Islamic banks use or influence Sharia scholars. Numerous studies contribute to the general literature on Islamic banking and finance (see, for example, Abu-Tapanjeh, 2009; El Gamal, 2006; Grais & Pellegrini, 2006; Kamla, 2009; Kamla & Alsoufi, 2015; Kamla & Haque, 2019; Kuran, 2006; Rammal & Parker, 2013; Mergaliyev et al., 2021) yet very few challenge the corporate governance mechanisms established in these financial institutions (i.e., Safieddine, 2009; Pollard & Samers, 2013; Grassa, 2013 & 2015; Abozaid, 2016; Karbhari et al., 2018; Ullah et al., 2018; Nawaz & Virk, 2019). Our paper adds to our understanding of the current Islamic finance industry's Sharia governance framework and offers new and unique perspectives from a Goffmanesque lens. Applying Goffman's theoretical attributes enables us to illuminate the actual conduct of Sharia governance in Islamic banks and identify existing limitations.

The current paper sheds valuable light on how Sharia scholars interact with bank managers (i.e., senior executives and Heads of the internal Sharia audit departments) concerning Sharia governance process and practice. As shown in appendix 1, prior studies concur with the view that the current model of Sharia governance and supervision needs to be critically examined (see, for example, Abozaid, 2016; Grassa, 2013, 2015; Kahf, 2004; Ullah et al., 2018). Kahf (2004) noted that powerful and influential personalities often sway Sharia scholars' opinions. Reviewing the main regulations and laws underpinning the Sharia supervision in IFIs, Grassa (2015) asserts that these laws still entail pockets of frailty. How Sharia governance is conducted in IFIs, and why the current model of Sharia governance needs to be revisited are vital questions that our current paper attempts to address.

The sample country selected for this study is Malaysia. The country has been a pioneer in Islamic finance and is also a leader in Sharia governance among IFIs (IMF, 2015; IFSB, 2022). Malaysia's financial system offers a unique case country as it has a vibrant Islamic financial system. It is also a proponent of liberal market policies encouraging economic and market development (IMF, 2013). Moreover, the Malaysian regulatory environment provides a conducive and vibrant platform for the operation of Islamic banks that caters to various stakeholders (BIS, 2017). Therefore, any lessons learned from our study could provide important understanding on the Islamic financial industry operating in Islamic and non-Islamic jurisdictions alike.

We structure the paper as follows. The next section provides a review of prior literature. It includes a critical discussion of the conceptual framework applicable to Islamic banks. This section also offers a comprehensive discussion of Goffman's "frame analysis" and places it in the context of the present study. Section 3 describes our data collection and methods. Section 4 presents the main findings and discussion, and section 5 concludes the study.

## 2. Literature Review and Conceptual Framework of Islamic Financial Institutions (IFIs)

### 2.1. Theoretical Framework and Market Expectations

The primary focus of our analysis is Islamic banks, which, although performing similar functions to conventional banks, possesses a distinguishing characteristic: the necessity

for all their transactions to comply with principles grounded in religious doctrine. Kamla and Alsoufi (2015), citing El-Gamal (2003), reaffirm this view and note that Islamic finance is a socio-political construct grounded on religious precepts. Islamic followers, affirming their religious belief, render themselves as God's vicegerents (Khalifah) (Lewis, 2001); thereby signalling that all their activities are guided by religion. Within this framework, various injunctions of the Sharia imply that all concerned parties within an IFI exercise and promote Islamic values, such as trustworthiness, justice, and transparency. Additionally, the Islamic concepts of social justice (Adalah) and beneficence (Ihsan) suggest that IFIs promote an ethical and socially oriented method of financing in line with religious ideology. Drawing upon these principles, certain scholars propose that IFIs not only pursue profit maximization (Ullah et al., 2014; Mergaliyev et al., 2021) but also strive to attain social optimality (Abdul-Baki & Uthman, 2017; Iqbal & Mirakhor, 2004). IFIs assume the duties and responsibilities of fulfilling the aims arising from shareholders' legal ownership while protecting other stakeholders' interests. Consequently, existing literature and intellectual discussions regarding IFIs suggest that Islam encourages a governance approach that prioritises stakeholders in a corporation. Nevertheless, a key distinction between the interests and requirements of IFI stakeholders, as compared to those of non-IFIs, lies in the emphasis stakeholders place on IFIs' adherence to the ethical principles derived from the Islamic faith.

Some authors argue that on occasions IFIs' practices overlap with those of traditional finance, leading to a diminished distinction between the two (e.g., Pollard & Samers, 2007, 2013). El Gamal (2003) investigates religious fatwas (edicts) issued by scholars and observes that products offered by Islamic banks often resemble those of conventional banks. In subsequent studies, the author posits that Islamic banks employ Sharia arbitrage to re-engineer their products, presenting them as entirely Sharia-compliant (El Gamal, 2005, 2006). Likewise, Syakhroza et al. (2019) maintains that the use of derivatives poses challenges for IFIs. Khan (2010) contends that there is a risk of employing Arabic terminology to market traditional products that may not be genuinely Sharia-compliant. According to Kuran (2006), Islamic finance faces a critical juncture and has significant progress to make to realise its full potential.

Kamla (2009) similarly expresses concerns regarding the vulnerability of contemporary Islamic finance and accounting to the principles embedded within capitalism and emphasises the need for a more substantial contribution to its purported objectives. To demonstrate Sharia compliance, corporations adhering to Islamic finance principles should enhance transparency in their annual reports. While numerous IFIs operate in developing countries, contributing to the improvement of their clients' economic conditions, their resources are often stretched across multiple responsibilities.

Within the corporate governance domain, Hayat and Hassan (2017) observe minimal disparities in the corporate governance practices of Islamic and conventional financial institutions. The authors find that the quality of corporate governance remains unchanged across all financial proxies used, with the only exception being the Bloomberg Governance Disclosure Score, in which Islamic firms scored two percentage points above those not labelled Islamic (also see, Grassa, 2013; Platonova et al., 2016; Ullah et al., 2018 for related discussions).

Appendix 1 presents a comprehensive overview of the crucial literature on Islamic finance pertinent to our investigation. Conducting this review is crucial for contextualising our research's contribution to the existing body of knowledge. Collectively, these studies provide a critical examination of Islamic finance, facilitating an accurate evaluation of the enhancements and innovations necessary for Islamic financial institutions to achieve their goals and objectives. However, most of these studies do not present an insider's perspective, particularly from those responsible for governing Sharia compliance. Our research addresses this gap in the literature.

Given that Islamic finance is practiced in several locations, each adding specificities to the mix. We can look at a key location in the Islamic finance world, i.e., Malaysia. Within that country, we consider the linkages between three identities, the corporation, its internal Sharia compliance department, and its Sharia Board, with the SAC of the Central Bank of Malaysia as the regulator. To understand the Islamic governance structure of financial institutions in Malaysia, we quote the following from the Bank Negara Malaysia, i.e., the Central Bank of Malaysia:

*"The Shariah Advisory Council of Bank Negara Malaysia (SAC) was established in May 1997 as the highest Shariah authority in Islamic finance in Malaysia. The SAC has been given the authority for the ascertainment of Islamic law for the purposes of Islamic banking business, takaful business, Islamic financial business, Islamic development financial business, or any other business, which is based on Shariah principles and is supervised and regulated by Bank Negara Malaysia. As the reference body and advisor to Bank Negara Malaysia on Shariah matters, the SAC is also responsible for validating all Islamic banking and takaful products to ensure their compatibility with the Shariah principles. In addition, it advises Bank Negara Malaysia on any Shariah issue relating to Islamic financial business or transactions of Bank Negara Malaysia as well as other related entities.*

*In the recent Central Bank of Malaysia Act 2009, the role and functions of the SAC was further reinforced whereby the SAC was accorded the status of the sole authoritative body on Shariah matters pertaining to Islamic banking, takaful and Islamic finance. While the rulings of the SAC shall prevail over any contradictory ruling given by a Shariah body or committee constituted in Malaysia, the court and arbitrator are also required to refer to the rulings of the SAC for any proceedings relating to Islamic financial business, and such rulings shall be binding."*

Next, we provide the role and functions of several entities (both internal and external) at an Islamic bank to situate the interactions among them.

- a) The Central Bank: The central bank supervises and regulates the financial sector, including Islamic banks, to ensure financial stability and adherence to regulatory standards.
- b) The Sharia Advisory Council (SAC): This body provides guidance on Sharia compliance for Islamic finance products and services. It also advises the central bank on Sharia matters related to the financial sector.
- c) The Board of Directors: The board is responsible for overseeing the overall management of a company, including setting corporate strategy, ensuring regulatory compliance, and monitoring the performance of top management.

- d) The Sharia Board (SB): The Sharia Board, composed of Sharia scholars, reviews and approves the company's financial products and services to ensure they comply with Islamic principles.
- e) Top Management: The top management, including the CEO and other executive officers, is responsible for implementing the company's strategy and managing day-to-day operations.
- f) Auditors: External auditors assess the company's financial statements to ensure accuracy and compliance with accounting standards. They may also review the company's internal controls and processes for Sharia compliance.
- g) Company Sharia Compliance Department: This department is responsible for monitoring and enforcing Sharia compliance within the company, including ensuring that all financial transactions, products, and services adhere to Islamic principles.

Typical interactions among these entities might include:

- The SAC advising the Central Bank on Sharia matters and providing guidance on regulatory requirements for Islamic finance.
- The Central Bank communicating regulatory requirements to the Board of Directors and Top Management.
- The Sharia Board reviewing and approving the company's products and services, with input from the Company Sharia Compliance Department.
- The Board of Directors and Top Management consulting with the Sharia Board and the Company Sharia Compliance Department on matters related to Sharia compliance.
- The Auditors reviewing the company's financial statements and internal controls, including Sharia compliance processes, and reporting their findings to the Board of Directors and the Central Bank as required.

Thus, the distinctions among various entities within Islamic financial institutions contribute to the understanding of governance practices and Sharia compliance mechanisms, which are essential for the scope of the present study.

## 2.2. Goffman's "Frame analysis" and Data Interpretation

Erving Goffman's theoretical work on "frame analysis" is a sociological approach that seeks to understand how individuals interpret and make sense of their social reality. Frames, according to Goffman, are cognitive structures that guide individuals' perceptions of their surrounding environment (Goffman, 1959, 1961, 1963, and 1974). These frames help people focus on relevant issues and understand social events by providing a context in which they can interpret and respond to their experiences (Gamson, 1992; Sharma, 2007; Vollmer, 2007; Lorino et al., 2017; Parker et al., 2019).

Erving Goffman's "frame analysis" has been extensively employed to investigate human behaviour, interactions in organisational settings, and specifically within accounting contexts (e.g., Pentland, 1993; Grey, 1998; Anderson-Gough et al, 2001; Sharma, 2007; Vollmer, 2007; Manning, 2008; Samra-Fredericks & Bargiela-Chiappini, 2008; Jeacle, 2008, 2012, 2014; Solomon et al., 2013; Ferry et al., 2017; Lorino et al., 2017; Parker and Warren, 2017; Cho et al., 2018; Parker et al., 2019; Dunne et al., 2021). For instance, Jeacle (2014) utilised Goffman's work as a theoretical basis to examine social interactions and



disentangle the successes and failures of auditing. Similarly, Pentland and Carlile (1996) connected Goffman's framework to auditors as assurance providers and the bridging of gaps between theory and practice. Performance management and corporate impressions through annual reports have also benefited from Goffman's theoretical approach (see Skaerbaek, 2005; Christensen & Skaerbaek, 2007). The frictions between individuals and their institutions, in terms of agendas, are a primary factor causing the malleability observed in auditing (see Guthrie & Parker, 1999; Sharma, 2007; Parker et al., 2019). Solomon et al. (2013) applied Goffman's lens to reveal that staged impression management pervades social and environmental accountability in the UK. Dunne et al. (2021) also used Goffman's principles to study the frontstage impression management by the Big Four auditors concerning the Irish Banking crisis, enabling the authors to develop a typology for their research purposes.

Key to Goffman's theoretical lens is that frames are used as structures to guide individual views of the reality of the surrounding environment (Goffman, 1959, 1961, 1963, and 1974). The "frame analysis" is perceived as a method used by individuals to focus their attention on pertinent issues (Gamson, 1992; Sharma, 2007, Vollmer, 2007; Lorino et al., 2017; Parker et al., 2019), and to make sense of social events (Goffman, 1959). Society is constrained since individuals use "impressions" based on their perceptions and the "impressions" lead to varied responses to the same phenomena (Jeacle, 2014). In the auditing contexts, the frames are perceived as settings under which auditors (including Sharia Boards (SBs)) fulfil their roles and obligations. Accountants may adopt a selective approach in which certain critical elements are omitted or manipulated within performance reports (Jeacle, 2014), leaving essential aspects of their performance unexamined. Jeacle asserts that some of these roles are candidly incorporated into performance or what is presented to the auditor(s), while others are dealt with in secrecy. Therefore, auditors (like Sharia scholars serving on SBs) must consider that not all aspects of the audit assurance process may be feasible to achieve.

Moreover, when an individual (e.g., the person interacting with the auditor) finds themselves in a stigmatised situation, they may employ strategies to manage and mitigate the effects of that stigma. Goffman (1963) refers to two main strategies that can be used by the individual to deal with the stigma, passing and covering. The person uses 'passing,' going through as normal, in case the stigma is not apparent to the observer (the auditor). Meanwhile, 'covering' is applied when the stigma is noticeable, and the individual aims to reduce the effect of the social pressure caused by being in the state of stigma. In the context of auditing, the individual representing the organisation may engage in stigmatisation if actions infringing audit principles are hidden so the auditor(s) cannot see them ('covering') or the individual ignores making statements against such actions while endorsing them as part of the actions taking place in the organisation (i.e., 'passing').

In assessing performance (i.e., the roles enacted by individuals), Goffman (1959) introduces the concept of 'front,' which consists of materials used to facilitate the enactment of the role and the individual's personal attributes (referred to as 'appearance and manner'). The performer strives to project an idealised image. Solomon et al. (2013), citing Goffman (1959, p. 55), argue that executives seek to impress others rather than demonstrating the ability to function as executives. In this process, they conceal their true selves and present a symbolic status.

However, the audience is considered to form opinions about the performance on stage, which are utilised to assess the performer's qualities. Goffman (1959: 59) suggests that the actions of the performer convey values that appear highly socialised, to the extent that the 'front' seems predetermined. The performer integrates 'dramatic realisation' into their acts to fulfil audience expectations. Goffman notes that the performer attempts to project an image of complete transparency but often falls short. In an auditing context, this transpires when an accounting firm fails to meet its obligations and is discredited for its performance (see Jeacle, 2014). In the end, the discredited auditor may experience embarrassment due to their actions, while the client is left with a sense of disappointment. There is agreement that auditors adjust their performances to satisfy their audience (see: Sharma (2007), Solomon et al. (2013); Parker et al. (2019); Dunne et al. (2021)).

To ensure a successful performance, Goffman (1959) highlights the necessity of clearly distinguishing between the 'back region' and the 'front region.' The 'back region' is the location where the performance is prepared (e.g., audit firm's own offices), while the 'front region' is the site where the performance is carried out (e.g., the client's actual offices). In the 'front region,' the performer (the auditor) manipulates the audience (the auditor's client) to be perceived in a specific manner. However, the audience may not grant the performer (auditor) that recognition since they remain unconvinced of the act.

A crucial aspect of Goffman's "frame analysis" emphasises that in social contexts involving face-to-face interactions, information is fully exchanged among the participants engaged in the communication (Pentland & Carlile, 1996). If the information presented is contested, the individual employs impression management to persuade the participants of the disclosed information, regardless of whether it occurs within an institutional setting or in public (Goffman, 1961, cited in Pentland & Carlile, 1996). Power (2003) offers substantial evidence highlighting the prevalence of impression management in auditing. Sharma (2007), Vollmer (2007), Solomons et al. (2013), Jeacle (2014), Parker and Warren, 2017, and Parker et al. (2019) concur that Goffman's theoretical framework effectively contributes to new and more profound insights in such settings.

Building on the insights from previous studies, and in line with Miller (1984), Solomon et al. (2013) and Lorino et al. (2017), our research employs Goffman's theoretical framework to investigate aspects of Sharia governance and compliance practices in Islamic banks. Using in-depth interviews with key stakeholders responsible for Sharia governance in Islamic banks (IFIs), we examine the interactions between bank managers (e.g., Heads of internal Sharia departments and CEOs/Senior executives) and Sharia scholars, as well as investigate the influence of the managerial strategies on the scholars' perceptions and decisions regarding Sharia compliance. Next, we discuss our data collection and methodology.

### 3. Data Collection and Methodology

Since a Goffman-based study requires an understanding of how actors behave in face-to-face interaction, direct observation of those actors is highly suitable. While we acknowledge that Goffman's framework is particularly well-suited for research employing direct observation, we recognise that practical limitations may constrain our

ability to apply this method in the present study. Indeed, direct observation would provide more immediate insight into the interactions between managers and Sharia auditors, capturing the nuances of face-to-face communication. However, concerns regarding confidentiality and potential restrictions on outsider access to these interactions may hinder direct observation as a primary research approach. Furthermore, it is important to consider the nature of communication between managers, auditors, Sharia scholars, and Sharia Board (SB) members, which may not always involve face-to-face interaction but rely heavily on documentation and other indirect forms of communication. Consequently, we have chosen to employ in-depth interviews as our primary research method, as they offer a more accessible means of gathering information about the interactions between the involved parties. While interviews may not capture the full extent of face-to-face communication dynamics, they still provide valuable insights into the recollections and perceptions of the individuals involved in these interactions.

We acknowledge that Goffman himself frequently used direct observation as a fundamental component of ethnography and expressed scepticism regarding interviews. Nevertheless, several studies using Goffman's framework, such as Solomon et al. (2013), have successfully employed interviews as their primary research method. Considering the practical constraints mentioned earlier, we have opted for in-depth interviews as a feasible and informative alternative to direct observation while being fully aware of its limitations in capturing the subtleties of face-to-face interactions in the context of our research.

We conducted 46 in-depth interviews to understand the complexities of Sharia governance in Islamic banks and to allow us to gauge our participants' perceptions and discover factors underpinning their responses, such as reason, feeling, opinion, and beliefs (also see Christensen, Johnson & Turner, 2014). We used several sources of information to frame our semi-structured interview questions. These include (a) our own personal experiences and connections with some Islamic banks and their senior staff, including some senior SB members; (b) our knowledge of the prevailing academic literature in this specialist area of study; and (c) our meetings with central bank officials to obtain background information into the Sharia governance process to understand specific central bank regulations along with the relevant standards and guidelines issued by international agencies such as the Accounting and Auditing Organisation for the Islamic Finance Industry (AAOIFI) and the Islamic Financial Services Board (IFSB) on governance processes and practices. We also benefitted from several of our key contacts (who were serving professional bankers and members of Sharia boards (SBs)) to gain access as well as provide valuable preliminary insights into the interactions between SB members, managers, and central bank officials. This iterative process ensured that we asked the pertinent questions in terms of (a) the Sharia governance and its application to Islamic banks in Malaysia; (b) the strategies used by bank managers while they deal with Sharia scholars; and (c) to explore flaws in the current Sharia compliance review system in the way adopted by Islamic banks. The sample country is Malaysia, a pioneer in Islamic banking. The bank officials interviewed are based in Malaysia and work for or serve on boards at Malaysian-registered institutions.

We applied the principles set by Lincoln and Guba (1985) to ensure rigour in our research. We considered traits such as trustworthiness, transferability, and

confirmability. To validate trustworthiness, we only included participants who were highly experienced and held high office from Sharia scholars and bank managers groups and were all directly involved in the Sharia governance process in their respective organisations. Regarding transferability and confirmability, we mapped the study results with the relevant literature and documents published by professional and government bodies on Sharia assurance and compliance. This enabled us to verify the insights gathered from the interviews in terms of validity.

As shown in Table 1 below, a total of 46 key individuals operating in the Sharia governance framework of the Malaysian Islamic banking industry participated in this study. This includes 23 Sharia Board (SB) members, five Chief Executive Officers (CEOs), three senior executives, and eight Heads of Sharia departments. We also conducted seven interviews at the Central Bank of Malaysia (three were with senior officials representing the Malaysia Islamic Finance Centre, a department specifically established to look after the affairs of the Malaysian Islamic finance industry, and four interviews undertaken with senior Sharia scholars serving on the National Sharia Council of Malaysia located in the Central bank).

[Insert Table 1 about here]

Our semi-structured interviews were undertaken in 25 banks, representing more than 78% of the 32 banks. The seniority of our interviewees and their background meant that the views expressed were from people who had vast knowledge, experience, and familiarity with the Sharia governance process and could relate to their interactions with either management or Sharia Board (SB) members. The lengthy interviews (mostly for an hour) provided an in-depth understanding of how the process of Sharia governance works and the interactions that take place in relation to Sharia compliance and/or assurance.

To analyse the content of the interview data, we employed a thematic analysis approach, identifying key themes present within the data. This was conducted manually by searching for keywords or phrases that captured the essence of the themes. Each identified theme was then thoroughly reviewed to ensure its relevance and accuracy in representing the interview data. This process was carried out by two authors who cross-validated each theme by comparing their notes and subsequently applying this method to the entire dataset. The rationale for employing thematic analysis is grounded in the understanding that it serves as an effective method for examining various perspectives as presented by research participants (see Braun & Clarke, 2006) while also allowing researchers to adopt a more structured approach to data handling (see King, 2004)."

To capture the social norms referred to in Goffman's framing, we paid specific attention to the meanings and context under which the interviewees' (bank managers and Sharia scholars) answers were provided. Based on our study objectives, texts were placed into manageable content themes. For each theme, we created valid explanatory accounts, and appropriate meanings were provided. In our study, the main themes identified through the thematic analysis were Impressions, Concealment, Back-stage, Frontstage, Keying/Fabrication, Stigma, and Embarrassment.

- a) Impressions: This theme focuses on how bank managers and Sharia scholars present themselves in interactions, aiming to create a favourable image of their knowledge, expertise, and commitment to Sharia compliance.
- b) Concealment: This theme pertains to the potential intentional withholding or distortion of information by bank managers or Sharia scholars to maintain a desirable appearance or to avoid potential conflicts or criticism.
- c) Back-stage: This theme refers to the behind-the-scenes activities, discussions, and decisions among bank managers and Sharia scholars, which may not be disclosed to the broader audience or stakeholders.
- d) Frontstage: Unlike the backstage, the front stage represents the actual situation presented to the audience (Sharia Board) during formal meetings or interactions, which may differ from the back-stage discussions and decisions.
- e) Keying/Fabrication: This theme encompasses the potential use of deliberate misrepresentation or manipulation of information by bank managers or Sharia scholars to influence the decision-making process or to maintain a positive image of the institution's Sharia compliance.
- f) Stigma: This theme captures the potential social or professional consequences faced by bank managers or Sharia scholars if they are perceived to be non-compliant with Sharia principles, which may motivate them to avoid such situations through concealment or fabrication.
- g) Embarrassment: This theme highlights the potential emotional discomfort experienced by bank managers or Sharia scholars if their actions or decisions are publicly questioned or criticised, further influencing their behaviour and interactions within the context of Sharia governance.

By analysing these themes in the context of our research, we were able to provide a comprehensive understanding of the complex interactions between bank managers and Sharia scholars, as well as the factors influencing their decisions and behaviour in relation to Sharia governance.

We analysed the issues emerging from the interview data using the principles of Goffman to understand the interactions between Islamic Bank managers, Sharia Board (SB) members, and central bank Sharia governance regulators. Among the key studies to have used interviews as research methodology while applying Goffman "frame analysis" as a valid theoretical approach are Sharma 2007; Solomon et al., 2013; Jeacle 2014; Ferry et al., 2017; Parker and Warren, 2017; Parker et al. 2019. For instance, Jeacle's (2014) study has been instrumental in shedding light on the assurance role played by auditors. Here, Goffman's "frame analysis" is robust in that it relates to both the performer and the audience. Earlier studies on Islamic banking and finance have ignored the actual interactions between bank managers and Sharia scholars and the outcomes of such interactions. Our study addresses this gap in the literature by closely examining the actual interactions between bank managers and Sharia scholars, as well as the outcomes resulting from these exchanges. By doing so, we provide a deeper understanding of the dynamics and offer insights into the practical aspects of Sharia compliance within Islamic banking and finance.

In our analysis, we expose the application of 'back region' and 'front region' in the context of Islamic banks and the presentation of bank managers' demands to Sharia scholars. Through interview quotes, we show the utilisation of various assertions (checkpoints) by

bank managers to persuade Sharia scholars of the bank's accountability and adherence to Sharia rulings. Furthermore, our study found that impression management, as depicted in Goffman's dramaturgical lens, is pertinent, in the compliance process with Sharia principles and rules.

#### 4. Findings and Discussion

In this section, we present the main findings emerging from our interview data. The general principles of Goffman "frame analysis" discussed in the previous section are applied to inform our analysis. Accordingly, three main areas are identified: (1) the Sharia compliance structure review and its application to Islamic banks in Malaysia – we discuss how this affects bank managers and Sharia scholars and how they interact and mutually serve the needs of each other; (2) strategies used by bank managers while they deal with Sharia scholars – highlighting how these strategies are implemented and how the Sharia scholars respond to them, and (3) bank managers perceptions of the work performed by the Sharia scholars –we discuss what bank managers consider as flaws in the current role played by the SBs.

##### 4.1. Islamic Banks and the Sharia Compliance Structure

In line with the social norms envisaged in Goffman's "frame analysis", the interview data reveals that Islamic banks place heavy reliance on Sharia Board (SBs) as the independent party whose members are highly respected in society, are experts in the relevant field of Islamic finance and who has ultimate authority over Sharia compliance in Islamic banks – legitimising the acts of the bank managers (i.e., the performers). These beliefs set a basis for SBs to be regarded as the insurer of the banks' ethical operation and reflect their image as being compliant with Islamic rulings. The Chairman of an SB from a large-sized fully-fledged Islamic bank (from IB3), who happens to be a high-profile National Sharia scholar in the country, emphasised this point by stating:

"I was approached by the bank to serve on the board of directors. I am of the view that the bank is merely using my profile to portray an image that they have someone from a strong Sharia background in meeting their long-term interest."

Whilst the CEO of a medium-sized fully-fledged Islamic bank (IB5) remarked:

"Yes, Islamic banking and religious image are vitally important to us, but there comes a certain point when we cannot afford to pay for impression management. But some of these scholars are not cheap."

The SBs (i.e., the audience in Goffman's taxonomy) try to fulfil their duties according to the Sharia governance system (i.e., the values and norms determining the interaction between the audience and the performer) in place and the documents/information they receive from bank managers (performers). The quote mentioned above from the prominent Sharia scholar reveals from Goffman's impression management perspective that there is, indeed, a backstage agenda being employed by some Islamic banks in engaging in impression management. This approach allows the bank to impress and fulfil market expectations. Confirming this practice, a senior executive of a large-sized Islamic bank (IB1) pointed out that his bank had taken the initiative to appoint a well-known

international scholar to "manage" his bank's mission of becoming a leading international bank and remarked:

"Our Bank's vision is to become the world leader in Islamic banking, but let me tell you, the most important element in achieving this is our SB, we have opted to get someone with 'international blood' who is from the Middle East, this gives us tremendous kudos, and massive appeal in the marketplace."

Researchers such as Nawaz and Virk (2019) view the selection by Islamic banks of reputable Sharia scholars can be a window-dressing tactic employed by management where they play to the gallery to attract wealthy Muslim clients and other stakeholders, assuring the high status of the bank and even signalling that robust Sharia compliance systems are in place. Nevertheless, the fact that there is a strong concentration of distinguished and reputable Sharia scholars creates an additional source of entrenchment that may have corporate governance-related implications for investors, Islamic firms, and regulators alike. This reflects Goffman's argument that actors may manage the impressions they transmit to others via the symbols they employ (Parker et al., 2019). While they also consider a certain amount of divergence from the norm acceptable, this is perceived as a critical element in most fabrications (Goffman, 1974, p. 347).

Ullah et al. (2018) acknowledge that religious influences in communities have become deep-rooted and permeated cultural norms. They provide useful exposition by arguing that managers adopt strategies (such as coercion, control, and avoidance) to influence scholars to be more agreeable. Indeed, it is revealing that senior management of Islamic banks (actors on stage) are resorting to such tactics that can potentially weaken Sharia compliance. Our finding confirms Goffman's belief that actors on stage (i.e., senior bank managers) as managers of impressions seek to reflect an image that they believe is desired by the bank's stakeholders.

Another key facet in Goffman's "frame analysis" approach is related to the moral attributes of what the performer communicates. Given that Sharia scholars hold no information about the performer, they use impressions exerted upon them as a platform to draw a sense of the situation observed and rely on the manager's performance as a reflection of reality (Goffman, 1959, p. 243). Conversely, bank managers build their own outlook of the audience and hope that their views align with the managers' impressions during the performance.

Focussing on Sharia assurance and compliance, our participants revealed that bank operations were influenced by its distinct organisational structure, which depends on (a) the type of bank (i.e., either a fully-fledged Islamic bank or a conventional bank offering Islamic banking windows); and (b) the ownership structure of the banks (i.e., either domestically- or foreign-owned). The bank ownership structures reflected the different levels of dynamism in adopting Sharia governance. For example, a pioneering fully-fledged Islamic bank had made a determined effort amongst all parties within the bank to share similar concerns with the SB in ensuring that the bank's activities are in accordance with Sharia principles. Illustrating the governance mechanism of the bank, a senior executive of a large-sized Islamic bank, IB1, remarked:

"There is a Sharia compliance risk unit within the Sharia department and a formalised Sharia audit within the internal audit department. Two of our SB members sit on the board's Risk Committee and two board members sit on the SB as permanent invitees. One is the Chairman of the board's Risk Committee, and the other is the Chairman of the Audit Committee, because any of the Sharia non-compliance issues would go to the audit department. In fact, when they all sit together for meetings, you can see the cross-participation between the parties representing each committee."

The above quotation supports the view that bank managers create impressions based on what they want to transmit to their audience by controlling the information they reveal. Through this approach, managers may attempt to conceal the likelihood of mistakes made or show that these mistakes are rectified. To portray a positive impression, bank managers present a situation as idealistic while concealing the flaws.

The internal Sharia governance mechanism of the above fully-fledged Islamic bank was organised on two levels, where one acted as the filtering mechanism before proceeding to the other. The first level can be viewed as the 'back region' under Goffman's framework, where the act itself (Sharia compliance) is organised, and the next level is the 'front region' where the act is performed or executed. In this framework, bank managers succeed at persuading the Sharia scholars that their actions are legitimate. Consequently, Sharia scholars become preoccupied with avoiding any misrepresentation, tolerating variations between the 'backstage' and 'front stage' without perceiving them as manipulations of the information presented to them. There is little evidence to suggest that the audience (Sharia scholars) is breaking from the frame or feeling like being misled, which excludes scholars' acknowledgment of misrepresentation (also see Solomon et al., 2013).

The way the internal Sharia governance mechanism operates is that the higher-level platform is comprised exclusively of SB members, while the lower-level platform is comprised of internal Sharia officers combined with representatives from the SB. Describing this, the SB member of this Islamic bank (IB9) remarked:

"We review the Sharia aspects from the very start. This includes examining the documentation of any financial contracts prepared, word by word. If the committee is satisfied, then this will be given the go-ahead and will then proceed to the SB. There, the decision will be finalised by the scholars and approval will be granted."

In addition, the incentives offered by the Malaysian Central Bank were perceived to have gradually built up into Islamic banking portfolios by creating a fully-fledged Islamic bank (a subsidiary of a conventional parent bank) aimed at offering a better review of the bank's Sharia compliance. This is perceived as 'the front' in Goffman's "frame analysis" as the subsidiary is used as a tangible tool to illustrate Sharia compliance. The subsidiary further provides the platform in which the main players involved in Sharia compliance interact and allow the Sharia scholars (audience) to monitor the impressions presented to them or apply what is named as 'frame analysis' under Goffmanesque principles. The presence of 'keying,' or deviation from the frame, results in a transformation in the way



bank managers perceive the compliance review. On this point, the CEO of a large-sized fully-fledged Islamic bank (IB5) remarked:

"We internalise Sharia compliance responsibility to each individual bank within the group. Our compliance framework requires each division to confirm that they are Sharia compliant. This has to be verified on a sampling basis by the Group Compliance Department and is then finally reported to the SB on a periodic basis."

In the case of a fully-fledged Islamic bank, the Sharia compliance manual explicitly stated that the internal Sharia department officers, instead of the external SB, are responsible for undertaking the Sharia compliance review task – hence the role of the audience is not always played by the external SB. Therefore, the responsibility entrusted to the SB in meeting the Sharia compliance assurance requirement of stakeholders is weakened. This is largely because under such a governance framework, the task of the SBs is relegated to approving the work of the internal Sharia department officers. In such scenarios, SB members would rely partly on their own impressions in the assessment of the bank's Sharia compliance rather than on fundamentals. Reflecting on this, the Head of the Sharia Department of a medium-sized Islamic bank (IB11) emphasised:

"In our bank, the SB delegates the Sharia compliance review function to the Sharia department. The SB just double-checks the review and provides the sign-off. Therefore, most of the SB work is already performed by our Sharia department."

Intriguingly, the concept of "secret mysteries" found in Goffman's "frame analysis" can also be observed in instances where Sharia compliance review falls outside the purview of the Sharia Board (SB). As the role is enacted, Sharia scholars (as the audience) may interpret the acts presented by the bank manager (as the performer) in various ways, yet they recognise these acts as part of the overall performance (see Goffman, 1959: 76). Sharia scholars are perceived to possess the 'legitimate authority' to assess or validate the bank manager's portrayal of their role. If the role aligns with the Sharia scholars' expectations, they attribute credit to the performer, albeit solely based on the presented evidence. Consequently, the social order governs the acceptance of the image crafted by the bank manager and influences the Sharia scholar's situational interpretation. In such circumstances, bank managers employ opportunism to maintain their projected image. The part-time appointment of numerous Sharia scholars to Sharia Boards, coupled with their limited resources for understanding the diverse systems utilised by Islamic financial institutions (IFIs), enables bank managers to capitalise on the circumstances, reducing the Sharia Board to a role primarily concerned with approving bank products. An SB member of an Islamic bank (IB16) stated that:

"We have not been directly involved with Sharia compliance review. We are given certain indications that the Sharia officers have prepared the financial report. From that, we understand the various Sharia products that are available. Because the Sharia compliance review is basically just endorsing what they have done, they will come to us and request endorsement that the whole exercise is Sharia compliant."

Our interviews reveal instances where judgments made by the Sharia Boards are not adequately considered by bank managers, including senior executives and heads of

internal Sharia departments. This finding supports the concept of opportunistic behaviour referenced in Goffman's "frame analysis," wherein bank managers engage in opportunistic actions. This phenomenon may be attributed to the amicable relationship between the company and the Sharia scholars serving on the Sharia Boards, which causes scholars to overlook shortcomings in the actions of bank managers. The presence of 'engrossment' further contributes to a diminished level of oversight. This also resembles the 'dual myth' as highlighted by Solomon et al. (2013), as the performer and audience do not engage in sincere dialogues leading to superficial accountability. Further, this echoes Parker et al. (2019) point that performers actively manage their front-stage performance and dialogue while exploring changing agendas backstage.

Overall, our interviewees revealed a varying level of robustness on the structure for Sharia compliance review across the Islamic banks in our sample. We do find some instances in which SBs need to properly engage with bank managers or the latter merely adopt 'impression management' while not offering the details that the SBs are expecting from them to enable them to make an informed judgement of the bank's Sharia compliance.

#### 4.2. Bank Managers' Strategies and Their Influence Over Sharia Scholars

This section provides an analysis of how Islamic bank managers influence the role(s) played by SBs and, ultimately, their independence. The interview data supported by relevant Goffman "frame analysis" attributes and concepts are used to discuss the strategies (passing and covering) used by bank managers to control the way SB reviews IFI operations. At the same time, they give the impression that the bank's activities comply with Sharia governance requirements.

Knowing that Sharia Boards (SBs) hold the ultimate legitimisation of Islamic banks' activities, we find that bank managers try to be in command (i.e., through their performance) of what should be covered in the Sharia compliance review. This results in jeopardising the SB's independence, leading to impaired quality of Sharia compliance assurance. The notion of independence, as interpreted by some of our interviewees, refers to the capacity of the Sharia Board to render its decisions autonomously, free from any influence exerted by the bank's management. The SB member of a medium-sized Islamic bank (IB13), echoing such a view, stated that:

"The independence of the SB is actually on the issuance of the fatwa [religious edict]. The way the fatwa is issued should not be because it is being requested, or the SB is being pressurised by the bank. Independence is all about the SB making its own decision."

The above remark was underscored due to situations where management overlooked concerns raised by the SB. Despite that, the board ratified that all banking activities complied with Sharia – confirming the 'defensive practices' envisaged by Goffman's assertion that performers (bank managers) sometimes aim to manipulate the audience (SB) through enforced actions or behaviours. The SB member above (i.e., from IB13) continued his remarks as follows:

"I see the bigger issue of the independence of the SB is in the willingness of the management to comply with the Sharia itself. Sometimes, I feel that the management does not really want to listen. They ask us (i.e., the SB) to outline our concerns, if any, on product matters only and not to get involved in other banking related activities. The management once questioned us, asking: 'Is your jurisdiction on products only or for the entire bank's activities?' Unfortunately, the management is not happy if we say it is for all of the banking activities."

Another set of circumstances where the independence of the SB is at stake is when the SB itself is unable to undertake its role and function efficiently. This is further compounded by pressures to generate earnings that overtake Sharia permissibility concerns and the SB smoothing the approval process to avoid bottlenecks. Bank managers pursue their 'passing' type strategies. For example, the Head of the Sharia department of a medium-sized Islamic bank (IB11) made the following statement:

"The bank will find as many excuses as possible and say that things can be approved. Sadly, it is just about the bank making money. This has reached the point where the Sharia department found a Sharia non-compliance issue, but the SB merely commented that it might have overlooked it and did not dare to say 'stop.'"

Several of our interviewees also disclosed instances where the top management's participation in SB meetings could result in the SB decisions being swayed – exemplifying the impression management style referred to in Goffman "frame analysis" in which flawed assurance is provided to the SB. Explaining the impediments to the SB's independence, the Head of the Sharia department of another fully-fledged and large-sized Islamic bank (IB6) pointed out that:

"When top management joins the meeting, they do attempt to influence the Sharia decisions made by the SB. Things that initially were impermissible can suddenly become permissible. When the SB tried to say something, the management would interrupt, saying 'No. It should be like this....'"

The ethical characteristics of the information conveyed by bank managers also play a role in shaping the perception of Sharia scholars about the activities in Islamic banks. Since Sharia scholars possess no prior knowledge about bank managers, they tend to depend on the impressions utilised by the managers as a basis to form their understanding of reality (refer to Goffman's "frame analysis" and impression management, 1959: 243). This situation accounts for the delegation of numerous anticipated roles or tasks of the SB to the bank's internal Sharia department. Managers seem to employ 'expressiveness' in the information presented during board meetings. By utilising expressiveness, managers strive to establish a positive impression and shape the perception of Sharia compliance within their Islamic banks.

Solomon et al. (2013) refer to physical appearances as part of impression management. In doing so, bank managers aim to present a picture they want preserved in the Sharia scholars' minds (see Miller, 1984, on using social norms to guide impressions). The managers constantly engage in impressions so their influence over scholars is maintained. While both parties seek to work together, they assume the information

presented is sufficient. This is echoed in Smith's (2006) assertion that the virtues of dramaturgical arts and the information expressed are used as underpinning factors on which impressions are managed.

Additionally, the part-time work nature of SB members, while primarily functioning as an effective mechanism to ensure the board's independence, may present certain drawbacks. This is due to their inability to fulfil their roles beyond what is perceived as the minimum requirement, which corresponds to the limited role of approving Islamic banking products for customer offerings. An SB member of a medium-sized Islamic bank (IB15) stated:

"As for now, the role of our SB is limited to providing product approval; however, in terms of ensuring overall Sharia compliance that is still beyond our function. If the regulator stipulates that is our function, it would be almost impossible to undertake because we only serve on a part-time basis."

Considering the points discussed earlier, it is plausible that bank managers adopt 'defensive practices' to sway Sharia scholars in their favour. Managers are often intentional in the information they present to scholars and stick to their plans. To address the constraints they face, SB members implement 'protective practices' to optimise the process. Furthermore, bank managers engage in dramaturgical allegiance, as described by Goffman (1959), to foster coherent impressions for the SB members.

#### 4.3. Shortcomings in The Roles Played by Sharia Scholars serving on Sharia Boards

Providing evidence of what is referred to in Goffman's "frame analysis" as 'protective practices' by the audience (SBs), our interview data indicates that bank managers hold some disconcerting views. For instance, despite the perception of the role of the SB being held in high esteem, some of our CEOs and Sharia Department managers interviewed were very critical, citing the limited role played by some SB members. In some instances, SB members were viewed as needing to be more cognisant in fulfilling their duties to meet the expectations of the parties within the bank. Consequently, the SB was viewed as contributing only partially to their review of the Sharia aspects of the banks' operation. It makes the role of the performer more challenging, as noted by Goffman (1959), as more effort is required to comply with the social norms. Explaining this, the Head of the Sharia department of a fully-fledged and large-sized Islamic bank (IB1) pointed out that:

"Actually, it is the Sharia department that does all the work. The external SB merely gives its approval based on research carried out by the Sharia department, without any supporting evidence or source justifying its approval. For example, there is no Quranic verse, to back the SB's decision."

Managing stigma by bank managers becomes difficult due to the lack of incentives provided to SB members to undertake responsibilities beyond their traditional role, which is to provide a verdict on the permissibility of banking products. Such conduct amongst SB members could perhaps have a detrimental effect on the Sharia governance of the bank as matters contributing to Sharia compliance encompass a wide range of Islamic banking operations. This situation, as described by Goffman (1963), will cause

problems at the 'back' and the 'front' region of the act being performed. Mueller (2018) points out that comparing Goffman's 'frontstage' and 'backstage' can be enlightening to understand the progress, or lack thereof, of organisational change. In this context, the CEO (IB8) of a medium-sized Islamic bank said:

"Perhaps the SBs are too focused on looking at the products, and they forget that their role is very much more important than that. They must look at the overall view, including the audited accounts. When they sign them off and say that they comply with the Sharia means that they are endorsing the entire bank's operation as Sharia compliant. I think this is something to which they are not fully aware."

The same CEO (IB8) also expressed concerns of other members of his management team on the possibility of Sharia non-compliance risk due to constraints preventing SB members from probing further the reports tabled to them by the Sharia department (this also provides the foundation for bank managers to pursue Goffman's 'covering' strategies due to the lack of full engagement by SBs with bank managers). Another CEO explained the limited level of accountability of the SB as follows:

"When the SB endorsed the Sharia report were they actually confirming that it is all Sharia compliant? Does the SB ask all the relevant questions? Have the management given the SB enough information? I really would like my SB to know what they are getting themselves into when they sign off the Sharia report."

The appointment of renowned international Sharia scholars to SBs opens further possibilities for opportunistic actions. These scholars frequently exhibit less scrutiny towards the bank's operations, thereby alleviating the burden on managers. Owing to their demanding schedules, these eminent scholars have restricted capacity to devote attention to their current responsibilities. Supporting this notion, the SB chairman of a large-sized Islamic bank (IB2), who is also a distinguished Sharia scholar, provided the following candid observation:

"In all honesty, I do not have enough time. I depend on the other SB members, some of whom are academics who tend to specialise in research. At times, when I attend a SB meeting, I would just read the documents and, sometimes even I do not fully understand its content. Then I would ask, 'who is going to present?' and evidently it is the top management who will present. Afterwards I would ask the other SB members, 'What is your opinion?' If all three agree, then I would take that up as the Sharia decision."

Drawing from the above quotes, the implementation of Goffman's passing and covering strategies is further amplified due to the limited involvement of SB in supervising bank activities. Several interview participants, including CEOs and Heads of Sharia departments, indicated that the SB members delegated the responsibility for Sharia compliance review to the bank's Sharia department officers. In relation to this, an SB member from a small-sized conventional bank operating in Islamic banking remarked:

"We are not involved in the Sharia compliance review. We merely give our approval, and the internal Sharia officers proceed with its implementation. They do not report to us, and we do not question their conduct. We simply ask the Sharia

officers to carry out the implementation of the Sharia decisions and we trust them."

Here, Goffman's (1959) assertion is pertinent in which he emphasised that, "whenever actors adopt a role, they must take a position on their belief in the role—they must decide whether they feel that the impression of reality they project is "true". At one extreme, one finds that the performer can be fully taken in by his own act; he can be sincerely convinced that the impression of reality which he stages is the real reality...At the other extreme, we find that the performer may not be taken in at all by his routine. This possibility is understandable, since no one is in quite an observational position to see through the act as the person who puts it on...When the individual has no belief in his own act and no ultimate concern with the beliefs of his audience, we may call him cynical, reserving the term "sincere" for individuals who believe in the impression fostered by their performance (pp.17-18)."

Nevertheless, when assessing the effectiveness of SB members in performing Sharia compliance reviews and evaluating the actions and decisions of bank managers, our participants indicated that the main challenge lies in the expertise that certain SBs possess. This factor may hinder the scholars' ability to effectively contribute to the Sharia review process. In support of this notion, an SB member from a medium-sized Islamic bank (IB14) remarked:

"There might be something that the bank did not refer to us, for example, the accounting or the systems used. Even if I were to log into the system, I may not be able to command its functions as well because I do not know about the system. As a result, the SB only endorses whatever matters that have come to us as being Sharia compliant."

In the interest of maintaining a positive image, bank managers tend to understate concerns regarding the competency of SB members. The limited business and financial expertise of SB members raises questions about their capacity to effectively oversee the information (performance) provided by bank managers. Nevertheless, there is mutual acknowledgment of these shortcomings from both parties, and they strive to align themselves in a manner that does not unduly obstruct the process (see also Scheff, 2005).

Several respondents noted that the matter of a less rigorous Sharia governance function has come to the attention of the Central Sharia Board within the country's Central Bank. From our interviews with Central Bank Sharia officials, it was revealed that they expect SB members serving at banks to exhibit greater enthusiasm and dedication to learning, to improve their effectiveness in their roles. A member of the Central Bank's Sharia Advisory Board (E1) underscored this concern by stating:

"There are some SB members serving on Banks SBs who have knowledge but do not have courage. They do not make the effort to learn, to improve themselves...These scholars are there just to fill seats, to make up the quorum. The bank also does not have a choice as they have merely grabbed the Sharia Scholar only to fulfil the criteria...it is all very disturbing."

From the aforementioned quote, it is evident that there is a perceived need for enhancement in the Sharia governance function. Drawing from a Goffmanesque perspective, the implementation of Sharia review by SBs, as divulged by our interview participants, indicates the extensive use of 'passing' and 'covering' strategies by bank managers. Concurrently, the employment of 'protective practices' by the SB contributes to the suboptimal functioning of SBs in delivering the level of Sharia compliance assurance that stakeholders anticipate. This interplay between the strategies and practices employed by both bank managers and SB members reveals a complex dynamic in the Sharia governance process, highlighting the areas where improvements can be made to strengthen the overall effectiveness and assurance of compliance.

## 6. Conclusion and Future Research

This study employs Goffman's "frame analysis" as a foundation to investigate how Sharia governance is conducted in practice and the strategies Islamic bank managers use to influence the role of Sharia scholars in overseeing Islamic banks' activities. The findings suggest that Islamic bank managers utilise both 'covering' and 'passing' strategies to influence SBs' perception of Islamic banks' operations. These strategies are effective, driven by the primary motivation to appoint Sharia Board (SB) members to convey an ethical identity that establishes the legitimacy of Islamic banks' operational and procedural mechanisms. We also report that meetings and conversations involving bank managers and Sharia scholars contain elements of impression. This involves concealment and the creation of a front to demonstrate that SB members are well-informed, and that the Sharia compliance process is well-structured and orderly.

Our findings suggest that the present quality of Sharia compliance assurance provided by SBs has room for improvement. The study reveals challenges in SB performance and their interactions with Heads of Sharia departments. SBs employ 'protective practices' and depend significantly on the bank's management, particularly the internal Sharia department officers, for the completion of their responsibilities. Our study lays bare the potential for concealment in Islamic finance due to the difficulty in achieving its idealized appearance (also see Goffman, 1969, as cited in Jeacle, 2008). The intricacy of Sharia compliance and the demands of stakeholders highlight the need for additional research and development to support bank managers and Sharia scholars in their efforts to adhere to Islamic finance principles. Currently, the risk exists that they might obfuscate or misrepresent information to preserve a Sharia-compliant image. Factors such as limited expertise, interpretation inconsistencies, or conflicts of interest contribute to these challenges. Therefore, our study offers valuable insights into the functioning of the religious assurance process by SBs and the quality of the Sharia report published in Islamic banks' annual reports.

Employing Goffman's principles in our study assists in shedding light on the complex dynamics between performers and their audience. Managers sway SBs by presenting commercial justifications for existing financial contracts or introducing new products. Internal Sharia department managers and CEOs partake in impression management, aiming to convey an image of expertise and enthusiasm. From a Goffmanesque perspective, this constitutes a part of the legitimisation process and manipulation of perceptions to streamline the review and approval process that SBs must undertake.

Managers appear willing to exploit and influence the Sharia compliance review, considering the audience's cognitive and psychological limitations.

Our analysis indicates that certain performers (CEOs and Heads of internal Sharia departments) engage in impression management strategies and concealment during their performance. Goffman (1969) emphasises that concealment often results from striving for an idealised appearance (cited in Jeacle, 2008), suggesting that misrepresentation can be an aspect of impression management. The intricate nature of Sharia compliance, combined with the pressure to satisfy diverse stakeholders, may give rise to situations where bank managers and Sharia scholars opt for a practical approach, albeit one that weakens the rigor required. As a result, they may engage in information management to preserve an image of Sharia compliance. This issue is further exacerbated by factors such as limited resources, experience, and a desire to maintain the status quo.

Considering the above, it is not surprising that regulators advocate for improvements in Sharia compliance assurance, and an increasing number of IFIs are outsourcing critical compliance audits to external and independent Sharia auditors. Although we suggest that outsourcing these essential compliance audits to external and independent Sharia auditors could be a potential solution, we recognise that existing literature (see Francis, 2004) reveals that the "independent" auditing industry has not generally achieved superior results due to conflicts of interest and profit pressures. It is essential to recognise that conflicts may inevitably arise within a system where both parties are driven by profit maximisation, and ensuring complete independence and effectiveness in the auditing process could be challenging. This observation aligns with the broader literature on auditing and corporate governance (for example, DeFond and Zhang, 2014). It is crucial to consider additional mechanisms and regulatory frameworks to address these concerns and enhance the credibility and effectiveness of the external Sharia auditing process. These include strengthening the ethical and professional standards for Sharia auditors, implementing stringent oversight and monitoring mechanisms by regulatory authorities, and promoting transparency in the auditing process.

Our study extends the literature by exploring bank managers' strategies in engaging with Sharia scholars, building upon Ullah et al. (2014) and Haridan et al (2018). We examine managerial strategies and the scholars' responses using Goffman's framing theory (Goffman, 1959, 1974) within the Sharia compliance review context. This research delves into the impression management tactics employed by Islamic financial institutions' managers, drawing parallels with the findings of Elliot et al. (2018) and Hossain et al. (2022) and elucidates their impact on Sharia compliance in Islamic banks.

We further reveal the varying level of robustness in the Sharia compliance review process across Islamic banks, exposing areas for improvement in the current system. Our research responds to the call for improving Islamic banks' overall governance and compliance structure, as Ullah et al. (2014) and others recommended. By exploring the challenges SBs face in maintaining their independence and ensuring compliance, we extend the literature on Sharia governance in Islamic banks. Our findings build upon Safieddine (2009) and Hasan (2009), who investigated governance issues in IFIs. Thus, we enrich the understanding of impression management strategies in the context of Islamic banks, supporting Solomon et al. (2013), who examined impression management in accounting and financial reporting.



Additionally, our research connects to Archer et al.'s (1998) work on the governance structures of Islamic banks. By building upon their foundational work, we delve deeper into the intricacies of governance in IFIs, offering insights into impression management strategies and the practical implications of these structures on compliance and overall performance. By scrutinising the shortcomings of Sharia scholars, SBs, and the challenges encountered by bank managers through Goffman's principles, our study expands upon Grais and Pellegrini's (2006) research on the relationship between corporate governance and Sharia compliance in IFIs.

Our study also contributes by extending Alam's (2013) investigation of the impact of banking regulation on the risk and efficiency of Islamic banks. By addressing concerns raised by central bank officials regarding the effectiveness of SBs and the challenges bank managers face, our study provides evidence of the real-world implications of these regulatory issues in the context of Sharia governance and compliance. Additionally, we build upon Iqbal and Mirakhor's (2007, 2011) research on the roles and responsibilities of Sharia scholars in Islamic banks. By discussing the limitations of SB members' capacity and the consequences for the Sharia governance process, we offer a deeper understanding of the practical challenges Islamic banks experience in ensuring Sharia compliance.

In conclusion, this study aimed to apply Goffman's principles to the Sharia compliance review process in Malaysian Islamic banks. Future research could examine the independence and effectiveness of internal Sharia department officers, explore the role of external auditors in Sharia-related operations, and extend Goffmanesque discourse to other accounting and auditing settings within Islamic finance, such as Waqf organisations, Takaful, micro-finance organisations, and Islamic cooperatives. Expanding the scope of Islamic finance research and adopting an interdisciplinary approach can enhance our understanding of the complex interplay between various actors as they strive for religious and social legitimacy. These insights can inform practical recommendations for improving Sharia governance frameworks and compliance assurance quality in Islamic finance institutions, ultimately contributing to the sector's growth and alignment with its core principles and values.

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## Appendix 1

### A Critical Review of Key Studies on Islamic Governance Framework and Sharia Compliance

<b>Author(s)</b>	<b>Research Aims</b>	<b>Research Theoretical Framework</b>	<b>Research Methodology</b>	<b>Main Findings and Gaps Relevant to the Current Study</b>
<b>Abozaid (2016)</b>	Examines the flaws in the Sharia supervision and how Islamic banking products are developed.	Refers to the principles of Islamic Sharia governance and Islamic financial rulings.	Evaluate the current practice of Sharia governance and Islamic financial products' developments and provide suggestions to overcome their shortcomings.	The current Sharia governance needs to be improved and would benefit from proper overseeing by the regulatory bodies. The self-control of Sharia rulings within Islamic financial institutions has resulted in many things that could be improved in how these institutions are governed and develop their products.
<b>Al-Nasser Mohammed &amp; Muhammed (2017)</b>	Critically examine the application of agency and stakeholder theories to Islamic banking corporate governance.	Applies the principles of agency theory and stakeholder theory.	Review and discuss agency and stakeholder theories and their relevance to Islamic banking corporate governance.	Islamic corporate governance and the ruling of the Sharia supervisory board complies to some extent with the principles of stakeholder theory rather than agency theory.
<b>El-Gamal (2003)</b>	Discuss Sharia scholars' and jurists' views of Islamic financial contracts and outlines how Islamic banks resemble their conventional counterparts.	Refers to Islamic legal theory and follows an interpretive approach to the way Islamic finance is using the fatwa issued to justify their use of interest-bearing instruments.	Reviews fatwa issued by scholars and key Islamic councils on various Islamic financial contracts. Provide examples of areas where Islamic banks have used the fatwa to offer interest-based financial contracts.	Islamic banks resemble conventional banks on the asset side of their balance sheet. The pre-specification of profit rate in investment accounts infringes the principle of Islamic finance of profit and loss sharing. Although not yet, Islamic banks would likely use the available fatwa on the liability side of their balance sheet.
<b>El-Gamal (2005)</b>	Evaluates the use of Sharia arbitrage to promote Islamic finance.	Applies articulation and reasoning to Sharia arbitrage and its effects on the growth of Islamic finance and principles.	Uses conceptual and real-life examples to illustrate how Sharia arbitrage is taking place in Islamic finance.	Sharia arbitrage is used as a stratagem to evade the prohibitions placed on conventional financial products and to offer reengineered instruments perceived as fully Sharia-compliant.

				Conventional products are used as approximations or building blocks in developing Islamic financial products.
<b>Grassa (2013, 2015)</b>	Examines Sharia supervision practices and regulatory frameworks within Islamic financial institutions.	Refers to Sharia principles but not to specific theories.	Reviews the main regulations and laws which underpin Sharia supervision in Islamic financial institutions.	A high discrepancy is observed in how Sharia supervision is conducted in Southeast Asia and Gulf countries. Some key weaknesses are identified in the regulatory framework adopted for IFIs. IFIs need solid internal Sharia governance systems, while national Sharia authorities are expected to play a prominent role in monitoring these institutions.
<b>Hamza (2013)</b>	Examines the relationship between Sharia compliance and Sharia governance	Refers to the concepts underpinning Sharia governance.	Reviews the centralised and decentralised Sharia governance models.	The centralised Sharia governance model, such as the one adopted in Malaysia, is more effective in ensuring proper review of banks' activities and harmonizing their rules.
<b>Kahf (2004)</b>	Discusses the alliance strategy between influential Muslims and Sharia scholars to promote Islamic banking.	Apply critical reasoning to show how the wealthy in the Muslim world influence Sharia scholars.	Uses historical analysis and relevant secondary data to support arguments made on the influence of the wealthy on Sharia scholars and the way they manipulate public opinion over Islamic banking.	Sharia scholars are subject to direct manipulation by the wealthy, who use them to change public opinion and reach clients. Sharia scholars play into the need of the wealthy and compromise to improve their lifestyle.
<b>Kamla (2009)</b>	Critically examines the shortcomings of Islamic accounting and finance and how it can play a part in enlightening	Apply critical theory and insights into contemporary Islamic accounting and finance.	Uses critical analysis of the key issues related to contemporary Islamic accounting and finance, including the role of regulatory bodies.	Principles of capitalism dominate the current practice of Islamic finance and accounting. Islamic finance and accounting fail to rise to the expectations of the marketplace and to what it is supposed to achieve.

	critical accounting agenda.			Need to embrace values asserted by other ideologies and to contribute to the broad spectrum of the critical accounting field.
<b>Khan (2010)</b>	Critically examines the current practice of Islamic banking and its idealism.	Refers to the key theories of Islamic finance as well as reviews the current financial products offered by Islamic banks and how they imitate those of conventional banks.	Evaluates the various products offered by Islamic banks in terms of Sharia principles and compare them to those of conventional banks.	There are instances of window-dressing where traditional products are mixed with Arabic terminology and presented as Sharia-compliant products.
<b>Kuran (2006)</b>	Reviews the recent developments in Islamic finance and factors affecting its growth.	Draws on Islamic finance theorem, including profit and loss sharing, and refers to historical economic development in the Muslim world.	Uses micro and macro-economic data and incorporates case studies to support the views presented on Islamic finance development.	Islamic finance is perceived to be at a crossroads with high growth but needs more innovation and distinctiveness. Islamic banks need to reach their potential and serve their client base wholesomely.
<b>Pollard and Samers (2007)</b>	Explore the Islamic banking and finance conceptualities and development from economic, geographical, and social theorem perspectives.	Apply the precepts of economic, geographical, and social theorem to Islamic banking and finance. Also draw on the postcolonial principles.	Uses economic, geography and postcolonial approaches to discuss how Islamic banking and finance functions.	In several instances, Islamic banking and finance mirrors Western financial practices and fails to preserve its unique conceptual features.
<b>Pollard and Samers (2013)</b>	Investigates the principles underpinning the governing rules of Islamic finance in the West.	Adopts the precepts of cosmopolitan legalities to demonstrate how Islamic finance is governed in the West.	Uses postcolonial and social perspectives to explain how governance is applied to providers of Islamic finance in the West.	Using economic, geography, and political concepts, the authors make the case that Western regulatory transformation driven by neoliberal values has enabled Islamic banks to co-exist with conventional banks.

Table 1: Details of Interview Participants

<b>Banking Institutions/ Financial Institutions</b>	<b>Shari'ah Board Members Interviewed</b>	<b>Head of Shari'ah Department Interviewed</b>	<b>CEO / Senior Eexecutive (SE) interviewed</b>
<b>A. Full-fledge Islamic Banks (IB)</b>			
IB1	2	1	2 (both SE's)
IB2	1	1	1 (CEO)
IB3	1	1	1 (CEO)
IB4	1	-	2 (CEO & SE)
IB5	1	-	1 (CEO)
IB6	1	-	-
IB7	1	-	-
IB8	1	-	1 (CEO)
IB9	1	-	-
IB10	1	-	-
IB11	1	1	-
IB12	1	-	-
IB13	1	-	-
IB14	-	1	-
IB15	1	1	-
1B16	1	1	-
<b>B. Development Financial Institutions Offering Islamic Banking Services (DFI)</b>			
DFI1	1	-	-
DFI2	1	1	-
DFI3	1	-	-
DFI4	1	-	-
DFI5	1	-	-
<b>C. Investment Banks (Inv.B.)</b>			
Inv.B.1	1	-	-
<b>D. Commercial Banks (Comm.B.)</b>			
Comm.B.1	1	-	-
<b>E. Central Bank of Malaysia (Bank Negara)</b>			
<b>Central Bank</b>			
E.1	4	-	3