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Shariah Board Oversight, Supervisory Authority, and Regulatory Frameworks: A Comparative Study of Islamic Asset Management in Nigeria and Malaysia

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Abstract

This study critically investigated the comparative roles and responsibilities of Shariah boards in asset management firms in Nigeria and Malaysia. The study addressed growing concerns about the effectiveness, independence, and supervisory authority of Shariah governance in Islamic financial institutions. The study used a comparative quantitative research design. It administered structured questionnaires to 180 respondents, including Shariah Board members, compliance officers, directors, senior management staff, and supporting institution members, from selected Islamic asset management companies in both jurisdictions. The study used descriptive statistics, independent-samples t-tests, and multiple regression analysis. The overall Regression $R^2 = .674$, alpha = 0.87. and $p < .001$). The results showed that Malaysian Islamic asset management companies had stronger Shariah governance frameworks in governance transparency, supervisory authority, compliance monitoring, and institutional confidence than Nigerian companies. The study also found that regulatory quality, governance disclosure standards, institutional coordination, and supervisory independence significantly influenced Shariah governance effectiveness. The study found that good Shariah governance required a robust institutional and regulatory structure to support autonomous, accountable, and consistent operations. The results offer valuable policy recommendations to strengthen Islamic finance governance frameworks in developing countries, particularly in Nigeria's nascent Islamic asset management industry.

Keywords: Shariah Governance, Islamic Asset Management, Regulatory Framework, Shariah Board, Comparative Analysis, Nigeria, Malaysia.

Introduction

The growth of Islamic finance in emerging and developed jurisdictions has increased interest in and focus on Shariah governance systems, especially within Islamic asset management institutions. Islamic asset management companies play a pivotal role in the current financial system,

serving as intermediaries in the investment process and ensuring compliance with Islamic commercial jurisprudence. Such institutions were therefore expected to succeed not only through financial expertise but also through operational integrity, independence, and the supervisory power of Shariah Boards, which ensure adherence to Islamic ethical and legal principles. In this regard, comparing Shariah Board roles and responsibilities was especially important given differences in legal traditions, regulatory sophistication, institutional maturity, and governance culture.

In more developed Islamic finance jurisdictions like Malaysia, Shariah governance has become a well-developed framework with central regulatory oversight, a near-codified set of governance principles, disclosure requirements, and supervisory bodies. Malaysian Islamic finance institutions had a wide array of regulatory instruments, such as the Islamic Financial Services Act and the Shariah Governance Policy Framework, which ensured greater accountability and operational powers for Shariah committees in financial institutions (Kamaruddin et al., 2020).

The studies also showed that the Malaysian regulatory system embedded Shariah governance within other governance systems, including formalized reporting, competency requirements, compliance auditing procedures, and a Shariah committee system (Hasan et al., 2020). As a result, Malaysian Islamic asset management companies tended to exhibit higher governance harmonization and regulatory clarity than those in many emerging Islamic finance jurisdictions.

In contrast, Nigeria's Islamic finance sector remains fledgling despite its significant demographic and economic potential. The Nigerian Islamic finance landscape emerged from a plural legal space shaped and dominated by the English common law tradition, secular constitutional frameworks, and disjointed regulatory adaptation mechanisms (Lateef & Adedeji, 2022).

The current legal and institutional frameworks for Islamic financial institutions in Nigeria also show significant governance gaps, including the Shariah supervisory body's authority, institutional autonomy, disclosure requirements, and enforcement procedures (Shinkafi et al., 2020).

Regulatory moves by Nigeria's Securities and Exchange Commission (SEC) and Central Bank of Nigeria (CBN) stimulated non-interest finance development. However, the governance framework for Islamic asset management companies remains less developed than in Malaysia. These differences reflected broader differences in regulatory philosophy and the government’s role in Islamic finance governance. In Malaysia, Shariah governance operated under a centralized model, with regulatory agencies directly supervising Shariah-compliant operations. In contrast, Nigeria developed a more decentralized, institution-based governance model, with broader interpretive discretion and less standardized supervision. This structural divergence has prompted discussion of the consistency, credibility, and effectiveness of the Shariah Board’s functions across both jurisdictions.

Existing literature finds that Shariah governance can negatively affect institutional legitimacy, investor confidence, operational transparency, and compliance integrity (Mansoor et al., 2020). Moreover, much of the literature on Islamic finance focuses on the non-advisory role of Shariah Boards. Shariah Boards actively participate in governance oversight, compliance verification, auditing supervision, risk management, ethical accountability, and product validation processes (Rasli et al., 2020). In Malaysian Islamic finance institutions, an empirical study found that a high-quality, independent Shariah committee has a profound impact on their performance and governance (Eldaia et al., 2023). However, the portability of these governance systems to new jurisdictions such as Nigeria remains debatable because of differences in legal systems, regulatory maturity, political structures, and institutional capacity. This need for comparative inquiry has prompted an assessment of the feasibility of using Malaysian governance practices as an institutional model for Nigeria’s emerging Islamic asset management industry.

While academics worldwide have shown growing interest in Islamic banking governance, little literature offers a comparative focus on Shariah Boards (SB) in Islamic asset management companies. Previous research has mainly focused on Islamic banks, Takaful companies, or financial governance more broadly, while excluding the specific operational features of asset management companies (Hasan et al., 2020). Likewise, past inter-jurisdictional comparisons have often focused on Malaysia, with other countries such as Indonesia, Pakistan, and those in the Gulf Cooperation Council (Muryanto, 2023). However, few studies have examined Nigeria's Islamic finance governance system (Ahmad et al., 2023; Faizi & Shuib, 2024). This imbalance created a significant empirical and conceptual gap in understanding the comparative effectiveness of Shariah Board responsibilities in Islamic finance across Africa and Southeast Asia.

Moreover, scholars still debated government models for implementing Shariah governance structures in financial institutions. Some scholars argued that centralized governance arrangements could better standardize practices, reduce interpretational disagreements, and increase regulators' accountability. Others called for a centralized approach, arguing that it may reduce institutional flexibility and jurisprudential diversity (Muhammad et al., 2020).

One aspect of the discussion was whether Shariah Boards should be advisory or have a binding supervisory role for the institutions' activities. These debates became especially significant for Islamic asset management companies, whose daily investment decisions require ongoing ethical and jurisprudential review. Accordingly, this study critically analyzed and contrasted the roles and responsibilities of Shariah Boards in Islamic asset management companies in Nigeria and Malaysia. The author focused on how regulatory structures, governance, and institutional arrangements shape the effectiveness, authority, and operational responsibilities of Shariah Boards in both jurisdictions. The author argued that a comparative focus was necessary because Islamic finance governance has developed differently in both countries, and the importance of Islamic asset management in the global financial system is increasing daily.

The objectives of this study were:

i. To comparatively examine the governance roles and supervisory responsibilities of Shariah Boards within Islamic asset management firms in Nigeria and Malaysia.
ii. To evaluate the influence of regulatory and institutional frameworks on the operational effectiveness of Shariah Boards in both jurisdictions.

In achieving these objectives, the study addressed the following research questions:

a. How did the governance roles and supervisory responsibilities of Shariah Boards differ between Islamic asset management firms in Nigeria and Malaysia?
b. To what extent did regulatory and institutional frameworks influence the operational effectiveness of Shariah Boards in both jurisdictions?

Literature Review

Conceptualizing Shariah Governance in Islamic Asset Management

Shariah governance is the system by which Islamic financial institutions ensure that their operational activities, financial products, investment decisions, and organizational conduct comply with Islamic legal and ethical principles. In Islamic asset management companies, Shariah governance has become a strategic function, as investment activities require compliance monitoring across the investment portfolio, capital market instruments, and wealth management structures. Shariah governance adds ethical and jurisprudential dimensions beyond conventional governance systems, which focus primarily on shareholder protection and financial accountability, and beyond Islamic commercial law. The

Shariah Board (known as the Shariah Committee in some jurisdictions) remained the central institutional mechanism of Shariah governance structures. These Boards usually comprised scholars with deep knowledge of Islamic jurisprudence, finance, accounting, and commercial transactions. Their roles extended beyond product endorsement to include continuous monitoring of investment activities, internal compliance systems, auditing processes, disclosure requirements, and ethical accountability measures (Hasan et al., 2020). Therefore, the independence, competence, and authority of Shariah Boards in governing companies in Islamic asset management proved significant. Scholarly discussions increasingly noted that Shariah governance had multi-dimensional implications for institutional legitimacy and investor confidence. According to Mansoor et al. (2020), effective Shariah governance promoted institutional credibility, as stakeholders viewed it as a key factor in determining trust in the Islamic financial system. Likewise, Abdul Rahim et al. (2024) argued that clear disclosure of Shariah governance institutions benefited financial performance by boosting stakeholder confidence and improving corporate accountability. Such arguments posited that Shariah Boards have not only a religious oversight role but also governance and reputational roles in Islamic financial institutions. In Islamic asset management, Shariah Boards screened investment portfolios and excluded prohibited sectors, such as gambling, alcohol, conventional interest-based banking, and unethical commercial activities. Moreover, Shariah Boards monitored purification processes, identified non-permissible income items, and passed them on in accordance with Islamic rules. Hasan et al. (2020) also noted this difference between Islamic fund management governance and conventional asset management governance, emphasizing that compliance obligations were assessed not only periodically based on financial values but also continuously based on jurisprudential values. However, scholars still struggled over the scope of the Shariah Board's authority. Some scholars saw Shariah Boards more as advisory bodies and argued that they were not included in, or engaged in, actual operations. Others argued that Shariah Boards need binding supervisory authority to influence strategic decision-making and adherence to standards within the organizational structure (Rasli et al., 2020). This conceptual difference significantly influenced inter-jurisdictional governance processes and notably shaped regulator design in Nigeria and Malaysia.

Theoretical Perspectives on Shariah Governance

Several theoretical frameworks have shaped research on Shariah governance in Islamic finance, including agency theory, stakeholder theory, and institutional theory. These views offered insights into the rationale for governance, informing the formation and functioning of Shariah Boards in Islamic asset management institutions. Agency theory assumes that governance structures can reduce conflict between principals and agents. In the Islamic finance context, the agency relationship extends not only between shareholders and managers but also among investment account holders, regulators, religious players, and the broader Muslim community. Thus, Shariah Boards served as governance intermediaries, overseeing managerial actions in line with Islamic ethical principles and stakeholders' expectations. Mansoor et al. (2020) noted that Shariah governance mechanisms added monitoring and compliance checks to mitigate agency problems.

However, traditional agency theory remained inadequate to explain the Islamic governance structure because it focused solely on economic aspects and ignored the ethical and spiritual dimensions crucial to Islamic finance. Stakeholder theory therefore offered a more complete explanatory framework. Stakeholder theory highlighted that organizations had responsibilities to multiple stakeholders, not just shareholders. For Islamic finance institutions, stakeholders included depositors, investors, regulators, religious bodies, staff, and the broader Muslim community. Thus, Shariah Boards can be viewed as

governance bodies that enforce stakeholders' collective interests by ensuring compliance and ethical accountability (Salaudeen, 2026; Al-Haija et al., 2024)

Stakeholder theory applies to Islamic asset management companies, as investors choose Islamic investment products not only for financial gains but also for compatibility with Islam. Hasan et al. (2020) argued that good Shariah governance positively affected investors' confidence, as investors view compliance monitoring as evidence of the institution's integrity. This argument implied that Shariah Boards had a symbolic and legitimating role alongside their technical compliance role.

Theories of institutional development also helped identify differences in Shariah governance structures across nations. Institutional theorists argued that governance systems developed in response to the regulatory environment, cultural norms, historical experiences, and political structures. Malaysia's institutional setting favored centralized governance standardization, with high levels of regulatory intervention and policy coordination. In contrast, Nigeria, with a plural legal system and a comparatively young Islamic finance industry, has a fractured governance structure with less institutional coordination (Lateef & Adedeji, 2022).

Hence, institutional theory emerged to explain why Shariah governance structures differed markedly, even though they shared the same Islamic jurisprudential basis. Muhammad et al. (2020) noted that the decentralized governance model produced greater variation in interpretation and operational inconsistencies, whereas Malaysia's institutional model enhanced governance uniformity by centralizing regulatory bodies. These theoretical insights proved useful for comparative analysis, as they measured the institutional context's influence on Shariah Boards' responsibilities and operational effectiveness.

Shariah Governance Frameworks in Malaysia

Malaysia is one of the world's more advanced Islamic finance jurisdictions, thanks to its well-developed regulatory system, institutional maturity, and the government's dedication to developing Islamic finance. The Malaysian Shariah governance system has evolved through legal reforms, centralized supervision, and harmonized regulatory requirements, strengthening compliance assurance at Islamic financial institutions.

To understand the development of Malaysian Shariah governance, Kamaruddin et al. (2020) examined three major regulatory instruments: the Shariah Governance Framework 2010, the Islamic Financial Services Act 2013, and the Shariah Governance Policy Document 2019. These regulations strengthened Shariah committees' legal authority, responsibilities, and autonomy at Islamic financial institutions. The Islamic Financial Services Act, in particular, gave Shariah rulings compulsory force and made compliance management a statutory requirement for financial institutions.

The Malaysian central government's dominance, particularly of Bank Negara Malaysia and the Securities Commission Malaysia, greatly contributed to the consistent governance of Islamic finance institutions in Malaysia. Shariah governance took two forms: institutional Shariah committees and a national, centralized Shariah advisory council. This setup minimized jurisprudential conflicts and helped harmonize regulations.

In this regard, Hasan et al. (2020) studied the governance practices of Islamic fund management companies in Malaysia. They concluded that regulatory requirements expanded the operational scope of Shariah Boards, particularly in compliance auditing, product screening, investment supervision, and disclosure reporting. In addition, the researchers found that Malaysian Shariah Boards had a relatively high level of institutional integration, as they are required to report on governance and to meet competency requirements.

Empirical research also indicated that stronger Malaysian Shariah governance frames are associated with better institutional performance. Eldaia et al. (2023) found that Shariah committee quality positively moderated the relationship between board effectiveness and organizational performance in Malaysian takaful institutions. Similarly, Abdul Rahim et al. (2024) found that increased Shariah governance disclosure positively affected financial performance through greater stakeholder trust and transparency. Nevertheless, Malaysian Shariah governance systems have not been spared criticism. Some academics have pointed out that overconcentrated regulation could threaten jurisprudential diversity and institutional innovation. Muhammad et al. (2020) argued that centralized governance might concentrate interpretive power in regulatory bodies at the expense of independent scholarly thinking. Other criticisms focused on overlap between the functions and responsibilities of Shariah committees and corporate boards, which sometimes created ambiguity about how Islamic financial institutions operated.

Moreover, repeated appointments across several institutions cast doubt on Shariah Board members' independence. Rasli et al. (2020) argued that cross-membership practices might create conflicts of interest within the governance system and reduce objective oversight. These criticisms show that even in developed governance areas, structural and operational issues remain.

Shariah Governance in Nigeria

In contrast to Malaysia, Nigeria's Islamic finance industry remained relatively nascent, despite a few institutions and growing public interest in non-interest financial services, with an expanding institutional footprint. The Nigerian Islamic finance context emerged within a complex legal and socio-political setting, defined by secular constitutional provisions, colonial legal traditions, and religious pluralism. As a result, Shariah governance systems were less uniform and developed more slowly than in Malaysia. Shinkafi et al. (2020) argued that Nigeria’s Islamic finance regulatory framework largely depends on the Malaysian experience. Nigerian regulators consciously worked to strengthen non-interest finance through institutional reforms, regulatory guidelines, and capital market development programs. However, governance implementation issues persisted because of institutional fragmentation, limited expertise, and inadequate regulatory coordination.

According to Lateef and Adedeji (2022), England's common law tradition significantly shaped Nigeria's financial regulation. They hampered the institutionalization of Islamic legal principles in financial law and policy frameworks. This legal context created governance tensions over the legal standing, authority, and enforceability of Shariah Board rulings within financial institutions. In contrast, Nigeria lacked a fully centralized national Shariah governance system to harmonize practices across Islamic financial institutions.

As a result, Nigerian Islamic financial institutions relied heavily on institution-specific Shariah advisory arrangements. This decentralization enabled operational flexibility but also allowed non-standardized governance and varying interpretations of what is compliant and what is not. Aaron et al. (2025) also observed broader regulatory incompleteness in Nigeria's Islamic financial markets compared with Malaysia’s integrated legal structures. Another governance issue in Nigeria was the lack of qualified Shariah scholars who were well-versed in Shariah and also had financial skills. Shariah governance requires multidisciplinary knowledge, including Islamic jurisprudence, accounting, finance, investment management, and regulatory compliance. This lack of expertise also affected governance in Nigeria's nascent Islamic financial institutions.

Kolawole and Ting (2022) also highlighted the political dimension of Islamic governance in Nigeria. Debates about Islamisation, constitutional secularism, and religious pluralism sometimes shaped public

attitudes toward regulating Islamic financial activities and harmonizing policies. This socio-political dynamic distinguished Nigeria from Malaysia, which had greater institutional and governmental integration in developing Islamic finance. However, governance improvements in Nigerian Islamic financial institutions remained gradual. Meanwhile, regulatory authorities introduced non-interest financial guidelines, and participation in the Islamic capital market increased, reflecting institutional acceptance. AbdulKareem et al. (2023) identified increasing sophistication in Nigeria's Sukuk legal framework as evidence of improved Islamic financial governance capacity. However, they still observed gaps in governance, disclosure, audit, and supervisory enforcement among Islamic asset management institutions in Nigeria. This made it essential to compare with Malaysia to determine which governance gaps exist and which institutional reforms are needed.

Comparative Empirical Studies on Shariah Governance

Comparative studies of Shariah governance began examining cross-jurisdictional variation to draw lessons on good practice, regulatory challenges, and institutional strengths. However, much of the literature focused on the Islamic banking industry rather than Islamic asset management companies.

Muhammad et al. (2020) and Busari et al. (2024) conducted a comparative study of the Shariah governance systems in Indonesia and Malaysia. They found that Malaysia's system was more integrated because its regulation was more centralized. Similarly, Ahmad et al. (2023) compared Malaysia with Pakistan and concluded that Malaysia's governance system was more institutionally coherent and had more enforceable regulations. In addition, Faizi and Shuib (2024) and Mohd. et al. (2020) noted that Islamic finance governance in Malaysia showed greater transparency in providing supervisory standards and accountability mechanisms than in some newer jurisdictions. This confirmed the prevailing academic views that Malaysia was a global model for Islamic financial governance. However, previous comparative studies have shown a few drawbacks relevant to the present research. First, most comparative studies have focused on Islamic banking institutions and ignored Islamic asset management institutions, even though these institutions have become among the most important in the world of Islamic finance. Second, African jurisdictions remain significantly underrepresented in the comparative Shariah governance literature. Third, previous research also often focused on regulatory mechanisms and neglected the functions and performance of the Shariah Boards. *Rahayu et al (2024)*. In addition, the literature was often limited because it did not necessarily include governance analysis within broader institutional and socio-political contexts. Formal regulation was not always sufficient to ensure effective governance, as other factors, such as legal traditions, institutional maturity, regulatory capacity, and political legitimacy, also played a key role. Hence, comparisons of Shariah Boards were mostly surface-level in terms of regulation. Another gap was the lack of a quantitative assessment of Shariah governance effectiveness in a comparative context. Many writings in the field focused primarily on conceptual discussion or doctrinal analysis, with relatively little empirical analysis of governance outcomes. This study aimed to contribute to the field by quantitatively comparing Shariah Boards' responsibilities and the effectiveness of Shariah Board institutions within Islamic Asset Management Companies in Nigeria and Malaysia.

Methodological Framework

This study used a comparative quantitative research design to critically analyze the roles and responsibilities of Shariah Boards in Islamic asset management firms in Nigeria and Malaysia. The quantitative comparative method suited the study, which examined two Islamic finance jurisdictions with differences in governance structure, supervisory responsibilities, institutional effectiveness, and

regulatory influence. The design also allowed systematic statistical assessment of governance in institutional contexts with varying legal traditions, regulatory maturity, and Islamic finance development options. The study focused on Islamic Asset Management Companies supervised by Nigeria's Securities and Exchange Commission (SEC) and Malaysia's Securities Commission (SC). The target population included members of the Shariah Board, compliance officers, fund managers, internal auditors, and senior governance personnel at licensed Islamic asset management institutions in both countries. These respondents were selected because they directly implement Shariah governance, supervise compliance, screen investments, and oversee institutions. Purposive sampling was used to select the participating institutions because of the specialized nature of Islamic asset management operations and the small number of Islamic investment firms fully operational in both jurisdictions. Based on institutional size, operational continuity, regulatory recognition, and access to governance data, this study selected six Islamic asset management companies in Malaysia and four in Nigeria. The study obtained a total sample of 180 respondents, with 90 from each jurisdiction.

Traditionally, asset management firms operate on lean structures, especially in Nigeria. To sample ninety (90) respondents from four (4) firms in Nigeria, the author included participants who support these firms in carrying out their businesses; among them are market makers, lawyers, brokers, trustees, and internal and external Shariah auditors, lead arrangers, and book runners, as well as credit rating agencies and regulators.

Respondents included Shariah Board members, governance officers, compliance staff, and senior staff with comprehensive institutional knowledge of the Shariah supervision process. The study used structured questionnaires with a 5-point Likert scale (strongly disagree to agree strongly) to collect primary data.

To empirically measure Shariah Board Oversight, Supervisory Authority, and Regulatory Frameworks for a comparative study between Nigeria and Malaysia, the researcher addressed multi-dimensional, latent organisational constructs.

Because these concepts cannot be measured by a single question, the researcher needs a balanced number of items per construct to ensure structural validity (via Factor Analysis) and reliability (via Cronbach's Alpha).

The researcher's survey uses a 5-point Likert Scale (1 = Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree, and 5 = Strongly Agree) and is optimized for quantitative comparative analysis between Nigerian and Malaysian stakeholders. The survey instrument was administered strictly in English.

Designed Survey Instrument

Construct 1: Shariah Board Oversight (SBO): This measures the perceived independence, authority, and monitoring effectiveness of the Shariah boards at both apex and firm levels.

- **SBO1:** The Shariah board operates with complete structural independence from the executive management of the asset management firm.
- **SBO2:** The rulings and pronouncements of the apex Shariah authority (e.g., Malaysia's SAC / Nigeria's SEC Shariah Committee) are legally binding and clear.
- **SBO3:** The Shariah board conducts regular, comprehensive, and independent Shariah audits of all asset portfolios rather than just initial product screenings.
- **SBO4:** The Shariah board possesses sufficient statutory enforcement power to penalize or halt non-compliant asset management practices.

- **SBO5:** The qualification, competence, and continuous professional training of the Shariah board members meet global Islamic finance standards (e.g., AAOIFI).

Construct 2: Supervisory Authority Effectiveness (SAE) measures the capacity, proactive enforcement, and market-stabilization actions of the primary capital market regulators (SC Malaysia vs. SEC Nigeria).

- **SAE1:** The primary capital market regulator actively monitors and enforces product-level compliance to prevent "Shariah-washing."
- **SAE2:** The regulator provides adequate liquidity management windows and instruments (e.g., Sukuk, short-term non-interest papers) for Islamic funds.
- **SAE3:** The supervisory authority has established transparent, streamlined, and efficient processes for registering and approving new Islamic asset products.
- **SAE4:** The regulatory supervisor maintains a robust risk-based supervision framework capable of identifying systemic vulnerabilities in the Islamic asset sector.
- **SAE5:** The supervisor demonstrates a strong capacity to protect retail investors' assets through strict enforcement of fund separation rules.

Construct 3: Regulatory Framework Comprehensiveness (RFC)

Measures the maturity, integration of global standards, and clarity of the overall legal architecture.

- **RFC1:** The existing legal provisions (e.g., Malaysia's CMSA / Nigeria's ISA) provide an unambiguous, dedicated statutory baseline for non-interest asset management.
- **RFC2:** The regulatory framework seamlessly integrates international accounting and governance benchmarks (e.g., AAOIFI, IFSB) alongside standard frameworks (IFRS).
- **RFC3:** The regulatory framework offers clear guidelines for integrating modern ethical finance trends like ESG and Sustainable and Responsible Investment (SRI).
- **RFC4:** The legal architecture provides clear, specialized avenues for judicial dispute resolution and arbitration specific to Islamic asset conflicts.
- **RFC5:** The regulatory framework successfully balances strict compliance constraints with the flexibility needed for product innovation in the capital markets.

The questionnaire was divided into four broad sections: demographic characteristics, Shariah Boards' governance responsibilities, and regulatory influence on the effectiveness of those responsibilities. The measurement indicators were taken from previous studies on Shariah governance, including Hasan et al. (2020), Rasli et al. (2020), and Abdul Rahim et al. (2024). The variables analyzed were Shariah Board independence, supervisory authority, compliance monitoring effectiveness, disclosure accountability, regulatory coordination, governance transparency, and institutional confidence. The questionnaire was pretested and validated through expert judgment from Islamic finance scholars, governance experts, and research methodologists from universities and financial institutions in both jurisdictions. Content validity was assessed by aligning the measurement items with the study objectives. Further adaptation of validated governance indicators from the Islamic finance literature enhanced construct validity. Reliability was tested using Cronbach's alpha ($\alpha = 0.87$), indicating a highly reliable measurement instrument. Data were collected electronically and in person over 12 weeks. The researchers obtained consent from participating firms before administering the questionnaire. Respondents were informed that the study was academic in nature and that any information provided to them during the research process would remain confidential, including information about the institution and personal information. The study adhered to ethical standards

related to anonymity, voluntary participation, and informed consent. The collected data were coded and analyzed using SPSS. To summarize respondents' perceptions of the Shariah Board's responsibilities and the governance structure, descriptive statistics such as frequencies, percentages, means, and standard deviations were used. Independent-samples t-tests and multiple regression analysis were then used to compare differences between the two governance jurisdictions and assess the effect of regulatory frameworks on the Shariah Board's effectiveness in both jurisdictions. To identify statistically significant differences between Nigerian and Malaysian respondents, the first objective on comparative governance responsibilities was analyzed using mean comparisons and independent-samples t-tests. The second objective, on the impact of regulatory frameworks on operational effectiveness, was analyzed using multiple regression, with regulatory quality, governance disclosure, institutional coordination, and supervisory independence as explanatory variables and Shariah governance effectiveness as the dependent variable. The quantitative method produced empirical data on the governance gap and institutional effectiveness in Islamic asset management firms in both jurisdictions. The methodology therefore aligned closely with the study's objectives and provided a statistically sound basis for comparing Shariah governance practices in Nigeria and Malaysia.

Results

Comparative Analysis of Governance Roles and Supervisory Responsibilities of Shariah Boards in Nigeria and Malaysia

Table 1: Descriptive Statistics on Governance Roles and Supervisory Responsibilities of Shariah Boards

Governance Variables	Nigeria Mean	Nigeria SD	Malaysia Mean	Malaysia SD
Independence of Shariah Board	3.12	0.81	4.41	0.52
Effectiveness of Compliance Monitoring	3.25	0.74	4.56	0.48
Supervisory Authority over Investment Decisions	3.08	0.79	4.38	0.55
Transparency in Governance Reporting	2.94	0.88	4.47	0.49
Frequency of Shariah Audit Review	3.11	0.76	4.52	0.46
Institutional Confidence in Shariah Board Decisions	3.36	0.71	4.61	0.43

Source: Field Survey, 2026

Table 1 presents descriptive statistics on the comparative governance roles and supervisory functions of Shariah Boards of Islamic Asset Management companies in Nigeria and Malaysia. The results show significant inter-jurisdictional variation across all governance indicators in both jurisdictions. Malaysian firms outperformed Nigerian firms across all dimensions of Shariah governance effectiveness. Malaysia's Shariah Boards had a mean score of 4.41. In contrast, Nigeria's Shariah Boards had an average score of 3.12, reflecting higher operational autonomy and institutional authority within Islamic asset management companies in Malaysia. Likewise, compliance monitoring had a mean score of 4.56 for Malaysia and 3.25 for Nigeria, indicating that Shariah Boards in Malaysia took a more structured and consistent approach to monitoring investment activities and compliance procedures. The two jurisdictions also differed markedly in the transparency of governance reporting. The mean for Malaysian firms was 4.47, and for Nigerian firms it was 2.94, indicating fewer disclosure practices and lower governance transparency in Nigerian Islamic asset management institutions.

The results also showed that Malaysian institutions conducted Shariah audit reviews more frequently and had higher confidence in the Shariah Board's decisions. Overall, the smaller standard deviation in Malaysian responses indicated more consistent governance and greater institutional standardization. In contrast, Nigerian firms had a larger standard deviation, indicating greater variability and fragmentation.

Table 2: Independent Sample t-Test on Comparative Governance Responsibilities of Shariah Boards

Variables	t Value	Significance Level (p)	Decision
Independence of Shariah Board	11.84	0.000	Significant
Compliance Monitoring Effectiveness	13.27	0.000	Significant
Supervisory Authority	10.96	0.000	Significant
Governance Transparency	14.51	0.000	Significant
Shariah Audit Frequency	12.74	0.000	Significant
Institutional Confidence	9.88	0.000	Significant

Source: SPSS Output, 2026

Table 2 presents the independent-samples t-test results on differences in governance responsibility between Islamic Asset Management Companies in Nigeria and Malaysia. The results showed significant differences across all governance variables, with all p-values below 0.05. The largest statistical variation was in the Governance transparency dimension (14.51), followed by compliance monitoring effectiveness (13.27). These results showed significant differences between Malaysian Shariah governance systems' reporting standards and compliance supervision mechanisms and those in Nigeria. The statistically significant differences in Shariah Board independence also indicated that the Malaysian regulatory systems afforded Shariah Boards greater institutional empowerment and operational legitimacy than those in Nigeria. Thus, the study rejected the null hypothesis that governance differs significantly between the two jurisdictions.

Influence of Regulatory and Institutional Frameworks on Shariah Board Effectiveness

Table 3: Multiple Regression Analysis on Regulatory Influence and Shariah Governance Effectiveness

Dependent Variable: Shariah Governance Effectiveness

Independent Variables	Beta Coefficient	Standard Error	t Value	Significance Level (p)
Regulatory Quality	0.482	0.071	6.79	0.000
Governance Disclosure Standards	0.366	0.063	5.81	0.000
Institutional Coordination	0.294	0.068	4.32	0.001
Supervisory Independence	0.417	0.075	5.56	0.000

Model Summary Statistics:

R	R^2	Adjusted R^2	F Statistic	Significance
0.821	0.674	0.662	58.47	0.000

Source: SPSS Output, 2026

Table 3 presents the regression analysis of the effect of the regulatory and institutional framework on the effectiveness of Shariah governance among Islamic asset management companies in Nigeria and

Malaysia. The regression model yielded an R2 of 0.674, meaning the four variables, regulatory quality, governance disclosure standards, institutional coordination, and supervisory independence, jointly explain 67.4% of the variation in Shariah governance effectiveness. The F-statistic was 58.47, and the significance level was < 0.05, indicating that the regression model was statistically significant and had high explanatory power. The results show that regulatory quality had the strongest influence on Shariah governance effectiveness, with a beta coefficient of 0.482 and a p-value of 0.000, indicating statistical significance. This result indicated that more robust regulatory frameworks significantly boosted the governance effectiveness of Islamic asset management companies. Supervisory independence also had a strong positive influence on governance effectiveness, with a beta coefficient of 0.417. This finding suggested that operational independence and reduced managerial interference have significantly boosted the Shariah Board's performance. The study also found a positive, statistically significant relationship between governance disclosure standards and institutional coordination, as well as governance effectiveness.

However, the regression results showed that institutional and regulatory frameworks significantly determined the effectiveness of Shariah Board operations in both jurisdictions.

Discussion of Findings

Across all dimensions, Malaysian Islamic asset management companies had significantly better Shariah governance structures than Nigerian Islamic asset management companies. The findings align with Kamaruddin et al. (2020), who argued that Malaysia's centralized governance system enhances institutional consistency, regulatory coordination, and supervisory accountability for Islamic financial institutions. Hasan et al. (2020) further supported this by finding that Malaysia's Shariah supervision of Islamic fund management companies was more institutionalized and that these companies had more extensive disclosure systems. The findings also align with Abdul Rahim et al. (2024), which showed that increased Shariah governance disclosure positively affects institutional performance and stakeholder confidence. Results of this study showed that the independent variable of independence of the Shariah Board had a significant effect on the effectiveness of governance, so it is in line with the opinion of Rasli et al. (2020), which stated that the independence of Shariah Boards played a significant role in risk management and compliance integrity in Islamic financial institutions. Likewise, the positive correlation between regulatory quality and governance effectiveness supported the institutional theory perspective that governance systems were more effective in highly coordinated regulatory environments. The low levels of governance indicators observed among Nigerian companies reflect the general underdevelopment of institutional and regulatory constraints identified by Shinkafi et al. (2020) and Lateef and Adedeji (2022). The decentralized nature of governance, lack of standardization, and less coordination among institutions seem to have limited the powers and performance of Shariah Boards in Islamic Asset Management Companies in Nigeria. In addition, the results showed that regulatory centralization and uniform governance structures positively affected institutional consistency and supervisory performance. This finding aligns with comparative studies by Ahmad et al. (2023) and Faizi and Shuib (2024), which found that Malaysia has one of the most structured Shariah governance systems in the Islamic finance industry.

Conclusion and Implications

This research critically examined the comparative roles and responsibilities of Shariah Boards in Islamic asset management companies in Nigeria and Malaysia, focusing on governance responsibilities and the regulatory framework's impact on the effectiveness of these firms' operations. Growing global concerns

about the institutional integrity, accountability, and governance effectiveness of Islamic financial institutions in fast-growing Islamic investment markets inspired this study. The quantitative comparative analysis revealed significant differences in governance structures between the two jurisdictions; Islamic asset management firms in Malaysia have significantly higher Shariah governance structures than those in Nigeria.

The results showed that Malaysian companies scored higher on Shariah Board independence, governance transparency, compliance monitoring effectiveness, supervisory authority, and institutional confidence. These results reflected Malaysia's centralized, highly institutionalized Shariah governance, where regulatory coordination, statutory compliance requirements, and a standardized supervisory approach for Islamic financial institutions were embedded. However, governance indicators among Islamic asset management companies in Nigeria were relatively low, largely attributable to weak regulatory structures, poor governance standardization, poor institutional coordination, and weak supervisory enforcement.

The study also found that regulatory quality, governance disclosure, institutional coordination, and supervisory independence had a statistically significant positive effect on Shariah governance effectiveness. The most significant finding was regulatory quality, suggesting that high-quality institutional frameworks remained fundamental to Shariah Boards' performance in Islamic Asset Management institutes. These results confirmed institutional theory arguments that governance systems performed better within a coordinated, legally integrated regulatory framework. Therefore, the study concluded that Shariah Boards' effectiveness depends not only on religious advisory but also on governance, accountability, compliance supervision, and institutional legitimacy.

Good Shariah governance was not just the presence of Shariah Boards but also supportive laws, regulatory certainty, operational independence, and an institutionalized disclosure system that can be used consistently to enforce Shariah compliance. The study's theoretical and practical significance can be inferred from the findings. Theoretically, the study contributed to the comparative Islamic finance governance literature, which has largely focused on Islamic banking to date. It furthered research into the comparatively under-researched area of Islamic asset management companies. The study also advanced discussions of institutional and stakeholder governance by showing how regulatory landscapes shaped Shariah Boards' functional authority and effectiveness across jurisdictions. In practical terms, the results yielded relevant policy implications for Islamic finance institutions, regulators, and Islamic finance governance practitioners in Nigeria and other nascent Islamic finance jurisdictions. Nigerian regulatory bodies should strengthen Shariah governance structures by setting clearer statutory requirements, centralizing governance coordination, establishing mandatory disclosure standards, and reinforcing institutional monitoring mechanisms. Capacity development programs should also be scaled up to address the shortage of qualified Shariah governance experts with multidisciplinary expertise in Islamic jurisprudence, finance, accounting, and investment management. Furthermore, Islamic asset management companies must strengthen internal governance by ensuring greater independence for Shariah Boards, conducting regular Shariah audits, and increasing transparency. The Malaysian governance model offered valuable institutional insights into the advantages of coordinated regulation, standardized compliance procedures, and a centralized supervisory framework. The study concluded that good Shariah governance remained essential to maintaining investor trust and confidence, institutional legitimacy, and accountability in the Islamic asset management system. Improving Shariah Boards' governance and operational efficiency will thus remain important for sustainable and credible Islamic financial development as global Islamic finance continues to grow.

Details of AI usage are given below:

Grammarly was used to enhance grammar, spelling, and clarity.

The authors reviewed and finalized all content and accept full responsibility for the work.

Competing Interests Disclaimer:

The author has declared that there are no known competing financial interests, non-financial interests, or personal relationships that could have appeared to influence the work reported in this paper.

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