



RESEARCH ARTICLE

Implementation of Shariah Governance in the Charitable Sector: Challenges and Importance from an Islamic Perspective

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The study investigates the implementation of Shariah governance in the charitable sector from an Islamic perspective, emphasizing its significance, challenges, and integration with modern governance practices. The research aims to develop a comprehensive Shariah governance framework that enhances the effectiveness and credibility of Islamic charitable organizations. Utilizing a qualitative methodology, the study conducts content, comparative, and data analyses of primary and secondary sources related to Shariah and corporate governance. The findings highlight the critical role of Shariah governance in ensuring compliance with Islamic principles, enhancing trust, and addressing unique risks faced by Islamic charitable organizations. However, challenges such as the absence of standardized frameworks, a shortage of qualified professionals, and issues in transparency and accountability are identified. The research demonstrates that integrating Shariah governance with modern practices is feasible and advantageous, necessitating a multifaceted approach. The study concludes that effective Shariah governance is vital for the success and sustainability of Islamic charitable organizations. By addressing existing challenges and integrating Islamic principles with contemporary practices, these organizations can improve their credibility, efficiency, and impact. The proposed Shariah governance framework incorporates ethical foundations, robust risk management, transparency, and stakeholder engagement, contributing to the long-term success and sustainability of Islamic charitable organizations. This framework serves as a blueprint for aligning organizational activities with Maqasid al-Shariah, promoting sustainable development, and ensuring ethical leadership. The study's implications are significant for practitioners, policymakers, and researchers, offering practical guidance and highlighting the need for tailored regulatory frameworks and continued research in the field of Islamic governance.

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INTRODUCTION

Good governance is undoubtedly one of the most crucial administrative principles that institutions must adhere to in all their activities and operations. The charitable sector, which falls under the third or voluntary sector, plays a vital role in Islamic societies (Al-Omar & Al-Maoud, n.d.). However, the sustainability of the charitable sector and non-profit organizations (NPOs) has become a prominent

issue in Islamic countries. There has been consistent emphasis on matters of transparency and accountability in non-profit organizations as a primary requirement to ensure good governance (Roslan et al., 2017).

Implementing good governance in every aspect of charitable institutions and organizations can be the optimal approach to demonstrate transparency and accountability through information disclosed to stakeholders, thereby ensuring the success of the charitable sector. However, a key challenge faced by this sector is how to integrate corporate and public sector governance principles into the context of Islamic charitable organizations while ensuring compliance with Shariah principles (Choudhury & Hoque, 2006).

This study aims to address several key objectives related to Shariah governance in the charitable sector from an Islamic perspective. Firstly, it seeks to examine the importance of implementing Shariah governance in charitable organizations within an Islamic context. Secondly, the research aims to identify the challenges faced in implementing good governance practices in Islamic charitable organizations. Thirdly, the study intends to analyze how Shariah governance principles can be effectively integrated with modern governance practices in the context of the charitable sector. Lastly, the research aims to propose a comprehensive Shariah governance framework for Islamic charitable organizations that incorporates aspects of Shariah compliance, transparency, and accountability. Through these objectives, the study seeks to contribute to a deeper understanding of how Shariah governance can enhance the effectiveness and credibility of Islamic charitable organizations, while also bridging the gap between modern governance principles and the specific needs of charitable organizations operating within an Islamic context.

LITERATURE REVIEW

The implementation of Shariah governance in the charitable sector is of paramount importance in Islamic societies, as it ensures that charitable organizations operate in accordance with Islamic principles while maintaining transparency and accountability. The concept of governance in Islam is deeply rooted in the principles of justice, accountability, and transparency, which are fundamental to the Islamic worldview (Choudhury & Hoque, 2006).

Islamic charitable organizations, including those managing zakat (obligatory alms), sadaqah (voluntary charity), and waqf (endowments), play a crucial role in the socio-economic development of Muslim communities. These institutions are entrusted with significant resources and responsibilities, making effective governance essential for their success and sustainability (Al-Omar & Al-Maoud, n.d.). The implementation of Shariah governance in these organizations is not merely a matter of religious compliance but also a means to enhance their operational efficiency and credibility.

The importance of Shariah governance in the charitable sector can be understood through several key aspects. Firstly, it ensures compliance with Islamic principles in the collection, management, and distribution of charitable funds. This compliance is crucial for maintaining the trust of donors and beneficiaries alike. As noted by Roslan et al. (2017), there has been a consistent emphasis on transparency and accountability in non-profit organizations as a primary requirement for good governance.

Secondly, Shariah governance provides a framework for ethical decision-making in charitable organizations. This is particularly important in the context of Islamic finance and economics, where the principles of social justice and equitable distribution of wealth are paramount. The implementation of Shariah governance helps ensure that charitable organizations fulfill their social responsibilities in a manner consistent with Islamic teachings (Choudhury & Hoque, 2006).

Thirdly, Shariah governance in the charitable sector contributes to the overall development of Islamic economic systems. By implementing robust governance structures, Islamic charitable organizations can serve as models for other sectors of the Islamic economy, demonstrating how Shariah principles can be effectively integrated into modern organizational practices (Al-Omar & Al-Maoud, n.d.).

Furthermore, the importance of Shariah governance in the charitable sector is underscored by the growing complexity of charitable operations in the modern world. As charitable organizations expand their scope and reach, they face increasing challenges in terms of financial management, risk assessment, and stakeholder engagement. Shariah governance provides a comprehensive framework to address these challenges while maintaining adherence to Islamic principles (Roslan et al., 2017).

The implementation of Shariah governance also plays a crucial role in enhancing the credibility and reputation of Islamic charitable organizations. In an era where public scrutiny of charitable organizations is increasing, robust governance structures that incorporate Shariah principles can help build trust and confidence among donors, beneficiaries, and regulatory authorities (Choudhury & Hoque, 2006).

Moreover, Shariah governance in the charitable sector is essential for ensuring the effective and efficient use of charitable resources. By implementing clear guidelines and oversight mechanisms based on Islamic principles, charitable organizations can minimize the risk of mismanagement and maximize the impact of their charitable activities (Al-Omar & Al-Maoud, n.d.).

In fact, the importance of implementing Shariah governance in the charitable sector from an Islamic perspective cannot be overstated. It serves as a crucial mechanism for ensuring compliance with Islamic principles, enhancing operational efficiency, building public trust, and contributing to the overall development of Islamic economic systems. As the charitable sector continues to evolve and face new challenges, the role of Shariah governance in guiding and regulating these organizations becomes increasingly vital.

The implementation of good governance practices in Islamic charitable organizations faces numerous challenges that are both unique to the Islamic context and common to the broader non-profit sector. These challenges stem from various factors including the complex nature of Islamic financial instruments, the diverse stakeholder expectations, and the evolving regulatory landscape.

One of the primary challenges in implementing good governance in Islamic charitable organizations is the lack of standardized Shariah governance frameworks specifically tailored for the charitable sector. While frameworks exist for Islamic financial institutions, their direct application to charitable organizations is often problematic due to the distinct nature of charitable activities (Kasim et al., 2013). This lack of standardization can lead to inconsistencies in governance practices across different organizations and jurisdictions.

Another significant challenge is the shortage of qualified professionals who possess both Shariah knowledge and governance expertise. As noted by Hassan and Siraj (2016), the effective implementation of Shariah governance requires individuals who can bridge the gap between Islamic principles and modern governance practices. The scarcity of such professionals can hinder the development and implementation of robust governance structures in Islamic charitable organizations.

The diverse nature of Islamic charitable instruments, such as zakat, sadaqah, and waqf, presents unique governance challenges. Each of these instruments has its own set of rules and requirements under Islamic law, making it difficult to develop a one-size-fits-all governance approach. For instance, the governance of waqf (endowment) assets requires a different approach compared to the management of zakat funds, due to their distinct characteristics and purposes (Ihsan & Ayedh, 2015).

Transparency and accountability pose significant challenges in the context of Islamic charitable organizations. While these principles are fundamental to Islamic teachings, their practical implementation can be hindered by cultural factors, lack of regulatory enforcement, and limited resources for reporting and disclosure (Roslan et al., 2017). Ensuring transparency without compromising the privacy and dignity of beneficiaries is a delicate balance that many organizations struggle to maintain.

The global nature of many Islamic charitable organizations adds another layer of complexity to governance implementation. These organizations often operate across multiple jurisdictions with varying legal and regulatory requirements. Harmonizing Shariah governance practices with diverse national regulations and international standards can be a daunting task (Abdul Rahman et al., 2012).

Risk management is another critical challenge faced by Islamic charitable organizations. These organizations are exposed to various risks, including reputational risk, Shariah non-compliance risk, and the risk of funds being misused for non-charitable or even illicit purposes. Developing effective risk management frameworks that address these unique risks while adhering to Islamic principles is a complex undertaking (Htay et al., 2014).

The rapid evolution of technology and its impact on charitable giving and operations presents both opportunities and challenges for governance in Islamic charitable organizations. While technology can enhance transparency and efficiency, it also introduces new risks related to data privacy, cybersecurity, and the use of cryptocurrencies in charitable donations (Bakar et al., 2017; Zhazira et al., 2024).

Furthermore, the challenge of balancing traditional Islamic values with modern governance practices is a recurring theme in the literature. Islamic charitable organizations must navigate the tension between maintaining their Islamic identity and adopting contemporary governance practices that may sometimes be perceived as conflicting with traditional approaches (Shafii et al., 2014; Yaikaew et al., 2024).

Lastly, the political and economic instability in many Muslim-majority countries can pose significant challenges to the implementation of good governance practices in Islamic charitable organizations. Frequent changes in regulations, political interference, and economic volatility can disrupt governance efforts and create an environment of uncertainty (Hassan & Siraj, 2016; Varghese et al., 2023).

In the meantime, while the implementation of good governance practices in Islamic charitable organizations is crucial, it is fraught with numerous challenges. Addressing these challenges requires a multifaceted approach that combines Shariah expertise, governance best practices, and an understanding of the unique context in which these organizations operate.

The integration of Shariah governance principles with modern governance practices in the charitable sector is a complex yet crucial endeavor. This integration aims to create a governance framework that is both Shariah-compliant and effective in addressing the challenges of the contemporary global context. Iqbal and Mirakhor (2017) propose a comprehensive approach that combines the ethical foundations of Islamic governance with the structural elements of contemporary corporate governance. They argue that this integration can lead to a more robust and ethically grounded governance system for Islamic charitable organizations.

One of the key areas where integration is essential is risk management. Mohd Noor et al. (2015) suggest that traditional risk management frameworks can be enhanced by incorporating Shariah-compliant risk mitigation strategies. This integration can help Islamic charitable organizations address both financial and Shariah compliance risks more effectively. The authors propose a model

that considers various risk categories specific to Islamic finance, such as Shariah non-compliance risk and reputational risk associated with Islamic charitable activities.

Transparency and accountability, which are central to both Shariah and modern governance principles, require careful consideration in the context of Islamic charitable organizations. Saad et al. (2014) propose a model that integrates Islamic ethical principles with modern disclosure practices, potentially enhancing stakeholder trust while respecting Islamic values. Their framework emphasizes the importance of disclosing information about the sources and uses of funds, as well as the impact of charitable activities, in a manner that aligns with Islamic ethical standards.

The use of technology in governance presents opportunities for integrating Shariah principles with modern practices. Muneeza and Hassan (2014) explore the potential of blockchain technology in enhancing transparency and traceability in Islamic charitable organizations. They argue that such technological innovations can be aligned with Shariah requirements while improving operational efficiency. The authors suggest that blockchain can be particularly useful in tracking the flow of zakat and sadaqah funds, ensuring that they are used for their intended purposes.

Developing integrated performance measurement systems is crucial for ensuring that Islamic charitable organizations meet both their religious and operational objectives. Ibrahim et al. (2014) propose a balanced scorecard approach that incorporates Maqasid al-Shariah (objectives of Islamic law) into performance evaluation, providing a more holistic assessment framework. This approach allows organizations to measure their success not only in financial terms but also in terms of their contribution to social welfare and adherence to Islamic principles.

Stakeholder engagement is another area where integration of Islamic and modern principles is essential. Ramli et al. (2014) discuss the importance of integrating the Islamic concept of shura (consultation) with contemporary stakeholder engagement practices. This integration can lead to more inclusive decision-making processes that align with both Islamic and modern governance principles. The authors suggest that incorporating shura into governance structures can enhance the legitimacy and effectiveness of decision-making in Islamic charitable organizations.

The incorporation of Islamic ethics into governance structures is fundamental to creating a truly Shariah-compliant governance system. Alam et al. (2016) explore how Islamic ethical principles can be incorporated into board structures, decision-making processes, and organizational policies. They argue that this integration can lead to more ethically robust governance practices that resonate with Islamic values. The authors propose a framework that includes ethical considerations at every level of governance, from board composition to operational policies.

Financial management in Islamic charitable organizations requires a careful integration of Shariah principles with modern financial practices. Hassan and Siraj (2016) discuss how modern financial management techniques can be adapted to comply with Islamic financial principles, such as the prohibition of riba (interest) and the requirement for halal investments. They propose a framework that includes Shariah-compliant investment strategies, risk management techniques, and financial reporting standards tailored to the needs of Islamic charitable organizations.

The development of integrated audit and assurance frameworks is essential for ensuring comprehensive oversight in Islamic charitable organizations. Yaacob and Donglah (2012) propose a model that integrates Shariah audit principles with contemporary audit methodologies, providing a more robust assurance mechanism. This integrated approach ensures that organizations are not only financially sound but also compliant with Shariah principles in all their operations.

Building on these insights, a comprehensive Shariah governance framework for Islamic charitable organizations should incorporate several key elements. Firstly, it should have a strong ethical foundation based on Islamic principles, as suggested by Iqbal and Mirakhor (2017). Secondly, it

should include robust risk management strategies that address both financial and Shariah compliance risks, as proposed by Mohd Noor et al. (2015). Thirdly, the framework should emphasize transparency and accountability, integrating Islamic ethical principles with modern disclosure practices, as recommended by Saad et al. (2014).

Furthermore, the framework should leverage technology to enhance governance processes, as explored by Muneeza and Hassan (2014). It should also incorporate a balanced performance measurement system that considers both financial and non-financial objectives, as proposed by Ibrahim et al. (2014). The governance structure should facilitate inclusive stakeholder engagement, integrating the Islamic concept of shura, as discussed by Ramli et al. (2014).

The framework should also ensure that Islamic ethical principles are embedded in all aspects of governance, from board structures to operational policies, as suggested by Alam et al. (2016). Financial management within the framework should adhere to Shariah principles while utilizing modern financial techniques, as discussed by Hassan and Siraj (2016). Finally, the framework should include a comprehensive audit and assurance mechanism that integrates Shariah audit principles with contemporary audit methodologies, as proposed by Yaacob and Donglah (2012).

In conclusion, the integration of Shariah governance principles with modern practices and the development of a comprehensive governance framework for Islamic charitable organizations require a multifaceted approach. This approach should balance adherence to Islamic principles with the need for effective and efficient governance in the contemporary global context. The proposed framework, drawing on insights from various scholars and practitioners, offers a holistic approach to governance that can enhance the credibility, effectiveness, and impact of Islamic charitable organizations.

METHODOLOGY

This study employs a qualitative approach with a descriptive-analytic research design to examine the implementation of Shariah governance in the charitable sector from an Islamic perspective. This methodology was chosen as it allows for an in-depth and comprehensive investigation of the concepts, challenges, and importance of Shariah governance in the context of Islamic charitable organizations. The main methods used in this study are content analysis, comparative analysis, and data analysis.

A comprehensive literature review will be conducted in an integrated manner with content analysis to collect, review, and analyze primary and secondary sources related to Shariah governance, corporate governance, and the management of Islamic charitable organizations. This process involves collecting various sources including classical and contemporary fiqh books, academic journal articles, reports and guidelines from international bodies, as well as policy documents and regulations related to governance from selected Islamic countries. Content analysis will be conducted on these sources to identify key themes, principles, and best practices in Shariah governance and corporate governance. This process will also involve extracting important concepts and operational definitions related to Shariah governance in the context of charitable organizations.

In the content analysis process, special attention will be given to the differences and similarities between conventional governance and Shariah governance. This will help in identifying specific challenges in implementing Shariah governance in the charitable sector. To facilitate the process of coding and categorizing data, qualitative data analysis software such as NVivo will be used. This will enable the systematic formation of categories and sub-categories based on themes that emerge from the content analysis.

Comparative analysis will be conducted as the next step to compare conventional corporate governance principles with Shariah principles related to organizational management. This analysis will include a comparison of governance practices in conventional charitable organizations and

Islamic charitable organizations. The main purpose of this comparative analysis is to identify gaps between theory and practice in the implementation of Shariah governance in the charitable sector. This will provide a deeper understanding of the specific challenges faced by Islamic charitable organizations in implementing Shariah governance.

Data analysis will be conducted continuously throughout the research process. This involves thematic analysis of data collected through literature review and content analysis. This process will be followed by a synthesis of findings from content analysis and comparative analysis. This synthesis aims to form a comprehensive conceptual framework of Shariah governance in Islamic charitable organizations. Additionally, critical interpretation of the findings will be conducted to identify theoretical and practical implications of implementing Shariah governance in the charitable sector.

The outlined methodology is designed to ensure a thorough and in-depth study of the implementation of Shariah governance in the charitable sector. This approach allows for a comprehensive analysis of relevant literature and documents, as well as a critical comparison between various governance approaches. The results of this study are expected to contribute to a better understanding of the challenges and importance of Shariah governance in Islamic charitable organizations, as well as provide conceptual guidance for its implementation. Through this methodology, this study aims to bridge the gap between theory and practice in the implementation of Shariah governance in the context of Islamic charitable organizations.

FINDING AND DISCUSSION

a) Examining the importance of implementing shariah governance in the charitable sector from an Islamic perspective

The analysis of existing literature and research reveals several key findings regarding the importance of implementing Shariah governance in the charitable sector from an Islamic perspective.

Shariah governance plays a crucial role in enhancing trust and credibility in Islamic charitable organizations. As Ihsan and Ayedh (2015) argue, the concept of amanah (trust) is central to Islamic teachings, and charitable organizations are entrusted with managing donors' resources in accordance with Islamic principles. The implementation of robust Shariah governance frameworks demonstrates to stakeholders that the organization is committed to upholding Islamic values and principles in its operations, increasing donor confidence and encouraging greater participation in charitable activities.

The research indicates that Shariah governance is essential for ensuring that charitable organizations comply with Islamic principles in all aspects of their operations. Kasim et al. (2013) note that the lack of standardized Shariah governance practices can lead to inconsistencies and potential mismanagement of funds. By implementing comprehensive Shariah governance frameworks, charitable organizations can ensure that their activities, from fund collection to distribution, are in line with Islamic teachings.

Shariah governance is also instrumental in addressing the unique risks faced by Islamic charitable organizations. Htay et al. (2014) identify several risks specific to Islamic charities, including Shariah non-compliance risk, reputational risk, and the risk of funds being misused for non-charitable purposes. The implementation of Shariah governance frameworks provides a structured approach to identifying, assessing, and mitigating these risks.

An important finding is that Shariah governance in the charitable sector contributes significantly to achieving Maqasid al-Shariah (the objectives of Islamic law). Shafii et al. (2014) argue that effective governance in Islamic charitable organizations helps to preserve wealth, promote social welfare, and protect the rights of beneficiaries. By aligning organizational practices with these higher objectives

of Islamic law, Shariah governance ensures that charitable activities contribute meaningfully to the overall well-being of the Muslim community and society at large.

The research reveals that implementing Shariah governance in the charitable sector can serve as a catalyst for innovation in Islamic finance. Abdul Rahman et al. (2012) suggest that by developing governance structures that address the unique needs of charitable organizations, the sector can contribute to the evolution of Islamic financial practices. This innovation can potentially influence governance practices in other sectors of the Islamic economy.

Bakar et al. (2017) demonstrate how Islamic charitable organizations implementing effective Shariah governance are better positioned to align their activities with global sustainable development goals while maintaining their Islamic identity. This alignment allows Islamic charities to play a more significant role in addressing global challenges and contributing to the United Nations Sustainable Development Goals (SDGs) in a manner consistent with Islamic principles.

The implementation of Shariah governance has been found to improve the operational efficiency and effectiveness of Islamic charitable organizations. Hassan and Siraj (2016) note that Shariah governance practices, when properly implemented, can lead to better decision-making processes, more efficient resource allocation, and improved overall performance.

In conclusion, the research findings clearly demonstrate the multifaceted importance of implementing Shariah governance in the charitable sector from an Islamic perspective. From enhancing trust and credibility to promoting sustainable development and operational efficiency, Shariah governance emerges as a critical factor in ensuring the effectiveness, integrity, and impact of Islamic charitable organizations.

b) Identifying the challenges in implementing good governance practices in Islamic charitable organizations

The analysis of existing literature and research reveals several significant challenges in implementing good governance practices in Islamic charitable organizations. These challenges stem from various factors including the complex nature of Islamic financial instruments, diverse stakeholder expectations, and the evolving regulatory landscape.

One of the primary challenges identified is the lack of standardized Shariah governance frameworks specifically tailored for the charitable sector. While frameworks exist for Islamic financial institutions, their direct application to charitable organizations is often problematic due to the distinct nature of charitable activities. Kasim et al. (2013) highlight that this lack of standardization can lead to inconsistencies in governance practices across different organizations and jurisdictions. This challenge is further compounded by the diverse nature of Islamic charitable instruments, such as zakat, sadaqah, and waqf, each with its own set of rules and requirements under Islamic law. Ihsan and Ayedh (2015) note that this diversity makes it difficult to develop a one-size-fits-all governance approach, necessitating a more nuanced and flexible framework.

Another significant challenge is the shortage of qualified professionals who possess both Shariah knowledge and governance expertise. Hassan and Siraj (2016) emphasize that the effective implementation of Shariah governance requires individuals who can bridge the gap between Islamic principles and modern governance practices. The scarcity of such professionals can hinder the development and implementation of robust governance structures in Islamic charitable organizations. This shortage is particularly acute in the context of Shariah supervisory boards, which play a crucial role in ensuring compliance with Islamic principles.

Transparency and accountability pose significant challenges in the context of Islamic charitable organizations. While these principles are fundamental to Islamic teachings, their practical implementation can be hindered by various factors. Roslan et al. (2017) identify cultural factors, lack

of regulatory enforcement, and limited resources for reporting and disclosure as key obstacles. Ensuring transparency without compromising the privacy and dignity of beneficiaries is a delicate balance that many organizations struggle to maintain. This challenge is particularly pronounced in the context of zakat distribution, where maintaining the confidentiality of recipients must be balanced with the need for transparent reporting to donors and regulators.

The global nature of many Islamic charitable organizations adds another layer of complexity to governance implementation. Abdul Rahman et al. (2012) highlight that these organizations often operate across multiple jurisdictions with varying legal and regulatory requirements. Harmonizing Shariah governance practices with diverse national regulations and international standards can be a daunting task. This challenge is exacerbated by the political and economic instability in many Muslim-majority countries, as noted by Hassan and Siraj (2016). Frequent changes in regulations, political interference, and economic volatility can disrupt governance efforts and create an environment of uncertainty.

Risk management emerges as another critical challenge faced by Islamic charitable organizations. Htay et al. (2014) identify various risks, including reputational risk, Shariah non-compliance risk, and the risk of funds being misused for non-charitable or even illicit purposes. Developing effective risk management frameworks that address these unique risks while adhering to Islamic principles is a complex undertaking. This challenge is particularly acute in the context of cross-border charitable activities, where organizations must navigate diverse risk landscapes and regulatory environments.

The rapid evolution of technology and its impact on charitable giving and operations presents both opportunities and challenges for governance in Islamic charitable organizations. Bakar et al. (2017) note that while technology can enhance transparency and efficiency, it also introduces new risks related to data privacy, cybersecurity, and the use of cryptocurrencies in charitable donations. Adapting governance frameworks to address these technological challenges while maintaining Shariah compliance is an ongoing challenge for many organizations.

Balancing traditional Islamic values with modern governance practices emerges as a recurring theme in the literature. Shafii et al. (2014) highlight the challenge of navigating the tension between maintaining Islamic identity and adopting contemporary governance practices that may sometimes be perceived as conflicting with traditional approaches. This challenge is particularly evident in areas such as board composition, decision-making processes, and stakeholder engagement, where organizations must find ways to integrate Islamic principles with modern governance best practices.

The implementation of effective performance measurement and impact assessment systems poses another significant challenge. Ibrahim et al. (2014) note the difficulty in developing metrics that can adequately capture both the financial and social impact of Islamic charitable organizations while aligning with Maqasid al-Shariah (objectives of Islamic law). This challenge is compounded by the long-term nature of many charitable initiatives, which may not yield immediately measurable results.

Finally, the research reveals challenges related to donor education and engagement. Many donors to Islamic charitable organizations may not fully understand the importance of governance practices or may have misconceptions about how their donations should be managed. Educating donors about the role of governance in ensuring the effective and Shariah-compliant use of their contributions is an ongoing challenge for many organizations.

In conclusion, the implementation of good governance practices in Islamic charitable organizations faces numerous and complex challenges. These range from the lack of standardized frameworks and qualified professionals to issues of transparency, risk management, and balancing traditional values with modern practices. Addressing these challenges requires a multifaceted approach that combines Shariah expertise, governance best practices, and an understanding of the unique context in which

these organizations operate. The findings underscore the need for continued research and development of tailored solutions to enhance governance in the Islamic charitable sector.

c) Analyzing how Shariah governance principles can be integrated with modern governance practices in the context of the charitable sector

The analysis of existing literature and research reveals several key findings regarding the integration of Shariah governance principles with modern governance practices in the context of the charitable sector. This integration is crucial for ensuring that Islamic charitable organizations can operate effectively in the contemporary global context while maintaining their adherence to Islamic principles.

One of the primary findings is that the integration of Shariah governance principles with modern practices requires a comprehensive approach that combines the ethical foundations of Islamic governance with the structural elements of contemporary corporate governance. Iqbal and Mirakhor (2017) propose such an approach, arguing that this integration can lead to a more robust and ethically grounded governance system for Islamic charitable organizations. Their research suggests that by incorporating Islamic ethical principles into modern governance structures, organizations can create a governance framework that is both Shariah-compliant and effective in addressing contemporary challenges.

The integration of Shariah principles into modern risk management practices emerges as a critical area of focus. Mohd Noor et al. (2015) suggest that traditional risk management frameworks can be enhanced by incorporating Shariah-compliant risk mitigation strategies. Their research indicates that this integration can help Islamic charitable organizations address both financial and Shariah compliance risks more effectively. The authors propose a model that considers various risk categories specific to Islamic finance, such as Shariah non-compliance risk and reputational risk associated with Islamic charitable activities. This integrated approach to risk management allows organizations to maintain their Islamic identity while adopting best practices in risk mitigation.

Transparency and accountability, which are central to both Shariah and modern governance principles, require careful consideration in the context of Islamic charitable organizations. Saad et al. (2014) propose a model that integrates Islamic ethical principles with modern disclosure practices. Their research suggests that this integration can potentially enhance stakeholder trust while respecting Islamic values. The authors emphasize the importance of disclosing information about the sources and uses of funds, as well as the impact of charitable activities, in a manner that aligns with Islamic ethical standards. This integrated approach to transparency and accountability can help organizations meet both religious and regulatory requirements while building trust with donors and beneficiaries.

The use of technology in governance presents significant opportunities for integrating Shariah principles with modern practices. Muneeza and Hassan (2014) explore the potential of blockchain technology in enhancing transparency and traceability in Islamic charitable organizations. Their research indicates that such technological innovations can be aligned with Shariah requirements while improving operational efficiency. The authors suggest that blockchain can be particularly useful in tracking the flow of zakat and sadaqah funds, ensuring that they are used for their intended purposes. This integration of technology with Shariah principles demonstrates how modern tools can be leveraged to enhance compliance and effectiveness in Islamic charitable organizations.

Developing integrated performance measurement systems emerges as a crucial aspect of combining Shariah governance with modern practices. Ibrahim et al. (2014) propose a balanced scorecard approach that incorporates Maqasid al-Shariah (objectives of Islamic law) into performance evaluation. Their research suggests that this integrated approach provides a more holistic assessment framework, allowing organizations to measure their success not only in financial terms but also in terms of their contribution to social welfare and adherence to Islamic principles. This finding highlights the potential for creating performance measurement systems that reflect both Islamic values and modern management practices.

Stakeholder engagement is another area where the integration of Islamic and modern principles is essential. Ramli et al. (2014) discuss the importance of integrating the Islamic concept of shura (consultation) with contemporary stakeholder engagement practices. Their research indicates that this integration can lead to more inclusive decision-making processes that align with both Islamic and modern governance principles. The authors suggest that incorporating shura into governance structures can enhance the legitimacy and effectiveness of decision-making in Islamic charitable organizations, demonstrating how traditional Islamic concepts can be applied in a modern governance context.

The incorporation of Islamic ethics into governance structures emerges as fundamental to creating a truly Shariah-compliant governance system. Alam et al. (2016) explore how Islamic ethical principles can be incorporated into board structures, decision-making processes, and organizational policies. Their research suggests that this integration can lead to more ethically robust governance practices that resonate with Islamic values. The authors propose a framework that includes ethical considerations at every level of governance, from board composition to operational policies, demonstrating how Islamic ethics can be woven into the fabric of organizational governance.

Financial management in Islamic charitable organizations requires a careful integration of Shariah principles with modern financial practices. Hassan and Siraj (2016) discuss how modern financial management techniques can be adapted to comply with Islamic financial principles, such as the prohibition of riba (interest) and the requirement for halal investments. Their research proposes a framework that includes Shariah-compliant investment strategies, risk management techniques, and financial reporting standards tailored to the needs of Islamic charitable organizations. This finding highlights the potential for creating financial management systems that are both Shariah-compliant and aligned with modern financial best practices.

The development of integrated audit and assurance frameworks emerges as essential for ensuring comprehensive oversight in Islamic charitable organizations. Yaacob and Donglah (2012) propose a model that integrates Shariah audit principles with contemporary audit methodologies. Their research suggests that this integrated approach can provide a more robust assurance mechanism, ensuring that organizations are not only financially sound but also compliant with Shariah principles in all their operations. This finding demonstrates the potential for creating audit frameworks that address both religious and regulatory requirements.

In conclusion, the research findings indicate that the integration of Shariah governance principles with modern practices in the charitable sector is both possible and beneficial. This integration requires a multifaceted approach that addresses various aspects of governance, from risk management and performance measurement to stakeholder engagement and financial management. The findings suggest that by carefully combining Islamic principles with modern governance practices, Islamic charitable organizations can create governance frameworks that are both Shariah-compliant and effective in addressing contemporary challenges. This integrated approach has the potential to enhance the credibility, efficiency, and impact of Islamic charitable organizations in the modern world.

d) Proposing a comprehensive Shariah governance framework for Islamic charitable organizations that incorporates aspects of Shariah compliance, transparency, and accountability

The analysis of existing literature and research reveals several key components that should be included in a comprehensive Shariah governance framework for Islamic charitable organizations. This framework aims to address the unique needs of these organizations while incorporating aspects of Shariah compliance, transparency, and accountability.

A fundamental finding is that the proposed framework should have a strong ethical foundation based on Islamic principles. Iqbal and Mirakhor (2017) emphasize the importance of integrating Islamic ethical values into the governance structure. Their research suggests that this ethical foundation should permeate all aspects of the organization, from strategic decision-making to day-to-day operations. The proposed framework should therefore explicitly incorporate Islamic ethical principles such as amanah (trust), adalah (justice), and ihsan (benevolence) into its core structure.

The framework should also include robust risk management strategies that address both financial and Shariah compliance risks. Mohd Noor et al. (2015) propose a comprehensive approach to risk management in Islamic financial institutions that can be adapted for charitable organizations. Their research indicates that the framework should include mechanisms for identifying, assessing, and mitigating various types of risks, including Shariah non-compliance risk, reputational risk, and operational risk. This integrated approach to risk management is crucial for ensuring the long-term sustainability and credibility of Islamic charitable organizations.

Transparency and accountability emerge as critical components of the proposed framework. Saad et al. (2014) suggest a model that integrates Islamic ethical principles with modern disclosure practices. Their research indicates that the framework should include clear guidelines for financial reporting, impact assessment, and stakeholder communication. The proposed framework should emphasize the importance of regular and comprehensive reporting on the sources and uses of funds, as well as the social impact of charitable activities. This transparency is essential for building trust with donors, beneficiaries, and regulatory authorities.

The use of technology in enhancing governance processes is another key finding. Muneeza and Hassan (2014) explore the potential of blockchain technology in improving transparency and traceability in Islamic charitable organizations. The proposed framework should therefore incorporate provisions for leveraging appropriate technologies to enhance governance processes. This could include the use of digital platforms for fund tracking, automated compliance checks, and real-time reporting to stakeholders.

Performance measurement emerges as a crucial aspect of the proposed framework. Ibrahim et al. (2014) propose a balanced scorecard approach that incorporates Maqasid al-Shariah into performance evaluation. The research suggests that the framework should include a comprehensive performance measurement system that assesses both financial and non-financial objectives. This system should be aligned with the organization's mission and the broader objectives of Islamic law, ensuring that the organization's activities contribute meaningfully to social welfare while remaining financially sustainable.

Stakeholder engagement is identified as another essential component of the proposed framework. Ramli et al. (2014) emphasize the importance of integrating the Islamic concept of shura (consultation) into governance structures. The proposed framework should therefore include mechanisms for meaningful stakeholder engagement, ensuring that the voices of donors, beneficiaries, and other relevant parties are considered in decision-making processes. This inclusive approach can enhance the legitimacy and effectiveness of the organization's governance.

The framework should also ensure that Islamic ethical principles are embedded in all aspects of governance, from board structures to operational policies. Alam et al. (2016) propose a model for incorporating Islamic ethics into corporate governance structures. Their research suggests that the framework should include guidelines for board composition, ethical decision-making processes, and the development of Shariah-compliant policies and procedures. This ethical integration is crucial for maintaining the Islamic identity of the organization while adhering to modern governance standards.

In this matter, the financial management within the framework should adhere to Shariah principles while utilizing modern financial techniques. Hassan and Siraj (2016) discuss how modern financial management practices can be adapted to comply with Islamic financial principles. The proposed framework should therefore include guidelines for Shariah-compliant investment strategies, fund allocation, and financial reporting. This ensures that the organization's financial activities remain in line with Islamic principles while benefiting from modern financial management techniques.

The framework should include a comprehensive audit and assurance mechanism that integrates Shariah audit principles with contemporary audit methodologies. Yaacob and Donglah (2012) propose a model for Shariah auditing in Islamic financial institutions that can be adapted for charitable organizations. The research suggests that the framework should include provisions for regular Shariah audits, as well as financial and operational audits. This integrated audit approach can provide comprehensive assurance to stakeholders regarding the organization's compliance with both Shariah principles and operational best practices. Therefore, this integrated audit approach focuses on ensuring that financial and business practices align with the broader goals of Shariah, which aim to promote the welfare of individuals and society as a whole (Kurniawati, Lestari, Sari, & Kartika, 2020).

Therefore, according to Kurniawati, et al (2020), the shariah governance is closely linked to maqasid al-Shariah, as it seeks to ensure that financial and business activities not only comply with Islamic law but also serve the higher objectives of promoting human welfare, justice, and ethical conduct within society. This alignment helps create a more sustainable and equitable financial system that benefits all stakeholders.

Lastly, the proposed framework should address the issue of human resource development and capacity building. Additionally, several studies highlight the importance of having qualified professionals who understand both Shariah principles and modern governance practices among them are Hassan and Siraj (2016) who truly support this issue is indeed has a big impact for ummah. The framework should therefore include provisions for ongoing training and development of staff and board members, ensuring that the organization has the necessary expertise to implement and maintain effective Shariah governance.

The research findings indicate that a comprehensive Shariah governance framework for Islamic charitable organizations should be multifaceted, addressing various aspects of governance while maintaining a strong focus on Shariah compliance, transparency, and accountability. By incorporating these elements, the proposed framework can provide a robust structure for Islamic charitable organizations to operate effectively in the modern world while staying true to their Islamic principles and values. This comprehensive approach has the potential to enhance the credibility, efficiency, and impact of Islamic charitable organizations, ultimately contributing to their long-term success and sustainability.

CONCLUSION

This study has examined the implementation of Shariah governance in the charitable sector from an Islamic perspective, focusing on its importance, challenges, integration with modern practices, and the development of a comprehensive framework. The findings reveal several key insights that have significant implications for the governance of Islamic charitable organizations.

Firstly, the research underscores the critical importance of implementing Shariah governance in the charitable sector. It is evident that Shariah governance plays a vital role in enhancing trust and credibility, ensuring compliance with Islamic principles, mitigating unique risks, and aligning organizational activities with Maqasid al-Shariah. The implementation of robust Shariah governance frameworks not only demonstrates commitment to Islamic values but also contributes to improved operational efficiency, sustainable development, and ethical leadership within these organizations.

However, the study also identifies numerous challenges in implementing good governance practices in Islamic charitable organizations. These challenges include the lack of standardized Shariah governance frameworks, shortage of qualified professionals, complexities in ensuring transparency and accountability, cross-jurisdictional issues, and the need to balance traditional Islamic values with modern governance practices. These challenges highlight the need for tailored solutions and ongoing research to address the unique context of Islamic charitable organizations.

The research findings demonstrate that integrating Shariah governance principles with modern governance practices is both possible and beneficial. This integration requires a multifaceted approach that addresses various aspects of governance, including risk management, performance measurement, stakeholder engagement, and financial management. By carefully combining Islamic principles with contemporary governance practices, Islamic charitable organizations can create governance frameworks that are both Shariah-compliant and effective in addressing modern challenges.

Based on these findings, the study proposes a comprehensive Shariah governance framework for Islamic charitable organizations. This framework incorporates key elements such as a strong ethical foundation based on Islamic principles, robust risk management strategies, transparent reporting mechanisms, technology integration, comprehensive performance measurement systems, inclusive stakeholder engagement processes, and integrated audit and assurance mechanisms. The proposed framework aims to address the unique needs of Islamic charitable organizations while ensuring Shariah compliance, transparency, and accountability.

The implications of this research are far-reaching. For practitioners in Islamic charitable organizations, the findings provide valuable insights into the importance of Shariah governance and offer practical guidance for its implementation. The proposed framework serves as a blueprint for developing governance structures that are both Shariah-compliant and aligned with modern best practices.

For policymakers and regulators, this study highlights the need for tailored regulatory frameworks that address the unique characteristics of Islamic charitable organizations. The findings suggest that regulations should be flexible enough to accommodate Shariah principles while ensuring adequate oversight and accountability.

For scholars and researchers, this study contributes to the growing body of literature on Islamic governance and identifies several areas for future research. These include the development of standardized Shariah governance frameworks for the charitable sector, the impact of technology on Shariah governance practices, and the long-term effects of integrated governance frameworks on organizational performance and social impact.

In conclusion, this research demonstrates that effective Shariah governance is crucial for the success and sustainability of Islamic charitable organizations in the modern world. By addressing the challenges, integrating Islamic principles with modern practices, and implementing comprehensive governance frameworks, these organizations can enhance their credibility, efficiency, and impact. As the Islamic charitable sector continues to grow and evolve, the importance of robust Shariah governance will only increase, making ongoing research and development in this area essential for the sector's future success.

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