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Shariah Governance Framework of Islamic Banking in Thailand: Implementation and Challenges

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ABSTRACT

The Shariah Governance Framework is essential for ensuring Islamic banking's compliance with Shariah principles and maintaining ethical integrity. In Thailand, Islamic banking is developing as a niche sector serving the Muslim minority and fostering inclusive financial growth. This study investigates the implementation and challenges of the Shariah Governance Framework within Thai Islamic financial institutions. Using a qualitative descriptive approach, the study analyzes legal documents, institutional reports, and interviews with Shariah advisor, Shariah department officer, and senior executives of Islamic Financial Institution. Findings reveal that the current institutional-level governance model is inadequate and highlight the urgent need for a dual-tier system: a centralized national Shariah advisory body and strengthened internal Shariah governance structures. The research also examines the Bank of Thailand's Notification on Shariah Governance for Full-Fledged and Islamic Window Banking, which mandates Shariah advisory appointments and governance structures but lacks detailed standards on independence, Shariah internal review, Shariah risk management, Shariah audit, and capacity building and capacity building, with political will and regulatory leadership identified as critical prerequisites for reinforcing the governance framework. It offers practical recommendations to strengthen Shariah compliance, governance integrity, and capacity development within Thailand's Islamic banking sector.

Keywords:

Islamic banking, Islamic windows, shariah governance framework, Thailand.

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Introduction

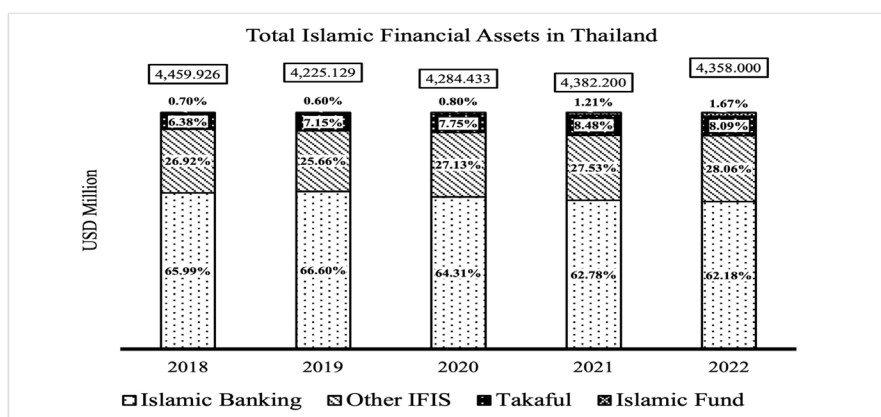
The global Islamic Financial Services Industry continued its steady growth despite a challenging macroeconomic environment characterized by inflationary pressures, geopolitical tensions, and banking sector stresses. In 2023, total Islamic Financial Services Industry assets grew by 4% year-on-year (YoY), reaching USD 3.38 trillion, up from USD 3.25 trillion in 2022 and USD 3.06 trillion in 2021. (Islamic Financial Services Board, 2022, 2023, 2024) Islamic banking remained the dominant component of the industry, accounting for 70.21% of total global Islamic Financial Services Industry assets in 2023. In comparison, *sukuk* outstanding and Islamic investment funds collectively made up 29.08%, while the *takaful* (Islamic insurance) segment contributed just 0.71%. (Islamic Financial Services Board, 2024)

Table 1. Breakdown of the Global Islamic Financial Services Industry by Sector and Region (USD Billion) (2023)

Region	Islamic Banking Assets	<i>Sukuk</i> Outstanding	Islamic Funds Assets	Islamic Insurance Contribution	Total	Share (%)
East Asia and the Pacific	313.83	411.25	38.13	5.75	768.96	21.80%
Europe and Central Asia	79.70	102.02	46.24	0.61	228.57	8.30%
Gulf Cooperation Council	1,463.91	292.96	28.16	14.64	1,847.42	52.50%
Sub-Saharan Africa	13.36	3.20	3.50	0.01	19.20	0.70%
South Asia	83.58	19.63	5.13	0.24	108.58	3.10%
Middle East and North Africa	417.79	6.30	0.07	2.79	427.82	12.70%
Others	-	14.64	11.06	-	25.70	0.90%
Total	2,372.17	850.00	132.29	24.05	3,378.51	100%
Share %	70.21%	25.16%	3.92%	0.71%	100%	

Source: (Islamic Financial Services Board, 2024)

Table 1 shows the global distribution of Islamic finance assets by region, highlighting the increasing geographical diversification of the industry. Notably, East Asia and the Pacific accounted for 21.80% of total Islamic finance assets in 2023, reflecting the region's robust development in both banking and non-banking segments. This growth has been driven in part by countries like Malaysia, where Islamic finance has matured into a well-integrated financial ecosystem. (Islamic Financial Services Board, 2024). The resilience of the Islamic banking industry can be attributed to the ethical and participatory foundations of Islamic economic principles, which emphasize equity, transparency, and risk-sharing. (Zahid & Khan, 2019) In the case of Thailand, Islamic finance comprises several components across the broader financial ecosystem. These include services offered by fully-fledged Islamic banks and Islamic windows within conventional banks, as well as contributions from Islamic cooperatives, Islamic leasing companies, and Islamic asset management firms. The Islamic capital market also offers various *Shariah*-compliant financial instruments such as *sukuk*, Islamic equities, and mutual funds. Additionally, the *takaful* segment contributes to the sector's diversification.

Figure 1: Illustrates the Aggregate Value of Islamic Financial Assets in Thailand

Source: (Islamic Bank of Thailand, 2019, 2020, 2021, 2022, 2023)(Bank for Agriculture and Agricultural Cooperatives, 2019, 2020, 2021, 2022, 2023b)(Islamic Bank Asset Management, 2019,2020, 2021, 2022, 2023)(The Federation Islamic Cooperative of Thailand, 2023)(Amanah Leasing, 2019, 2020, 2021, 2022, 2023)(The Securities and Exchange Commission, 2019, 2020, 2021, 2022, 2023) (Office of Insurance Commission, 2019, 2020, 2021, 2022, 2023)

Figure 1 illustrates the aggregate value of Islamic financial assets in Thailand. The Thai Islamic finance industry recorded a year-on-year growth of 5.56%, reaching USD 4,358.000 Million and the Islamic banking segment accounted for the largest portion, with assets totaling USD 2,709.804 Million, representing 62.18% of the total Islamic financial institutions segment followed, with assets amounting to USD 1,222.855 Million, accounting for 28.06%. The *Takaful* segment held assets valued at USD 352.562 million, making up 8.09% of the total. Lastly, the Islamic fund segment had assets worth USD 72.779 million, accounting for 1.67% of the overall Islamic financial assets. (Hama et al., 2024). Despite this growth, Thailand's share represents only 0.36% of global Islamic banking assets (Islamic Financial Services Board, 2024), indicating both the potential and the need for more robust institutional development. In recent years, global interest in Islamic banking has grown not only due to its ethical and inclusive nature but also due to increased awareness of *Shariah* governance as a critical component in ensuring compliance and sustaining public trust. *Shariah* governance frameworks play a pivotal role in maintaining the distinctiveness of Islamic banks by ensuring that all financial products and operations are aligned with Islamic principles (Ahmad et al., 2023; Bashir & Babiker, 2023). These frameworks consist of structured processes for supervision, monitoring, and advisory, often led by a *Shariah* board responsible for ensuring compliance and issuing rulings (Alam et al., 2019; Fatmawati et al., 2022). Poor *Shariah* governance and weak regulatory oversight have been linked to failures in Islamic financial institutions, leading to decreased investor confidence and systemic inefficiencies (Muhamad Sori et al., 2015). In response, international standard-setting bodies such as the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the Islamic Financial Services Board (IFSB) have developed guidelines for robust *Shariah* governance. These frameworks emphasize transparency, independence of *Shariah* boards, regulatory oversight, and consistency in decision-making (Alam et al., 2020; Alsunaidi & Albakjaji, 2023; Faruk Abdullah & Ab Rahman, 2017). Given Thailand's emerging position in the global Islamic finance landscape, this paper seeks to examine the implementation and challenges of the *Shariah* governance framework in the Thai Islamic banking sector. By analyzing the structural, institutional, and regulatory aspects, the study aims to offer insights into how Thailand can strengthen its Islamic finance governance to enhance compliance, market confidence, and long-term sustainability.

Literature Review

This section provides an overview of concepts and previous research relevant to the study of *Shariah* governance in Islamic banking. It presents a knowledge map of existing scholarship on corporate and *Shariah* governance, highlights international governance standards, and identifies gaps in the literature that justify the present study.

Corporate Governance

Over the past few decades, economists and international organizations have primarily focused on the concept of corporate governance, especially in the wake of the 1997 Asian financial crisis. The collapse of several multinational corporations as a result of the escalation of administrative corruption issues, such as the Enron crisis in 2001, the World Com scandal in 2002, and the global financial crisis in 2008, was clear indication of the need for such a concept (Tashkandi, 2022). The poor governance, such as an ineffective and lax board of director in overseeing chief executive officers and the executives' lack of integrity, encourages higher risks in the financial sector (Hadriche, 2015).

Corporate governance refers to the systems, principles, and processes by which companies are directed and controlled. According to the Organisation for Economic Co-operation and Development (OECD) Corporate governance involves a set of relationships between a company's management, board, shareholders and stakeholders. Corporate governance also provides the structure and systems through which the company is directed, and its objectives are set, and the means of attaining those objectives and monitoring performance are determined. It also defines the distribution of rights and responsibilities among different participants in the corporation and sets out the rules and procedures for making decisions. These events highlighted the consequences of weak governance structures, particularly ineffective boards of directors and lack of accountability mechanisms. The purpose of corporate governance is to help build an environment of trust, transparency and accountability necessary for fostering long-term investment, financial stability and business integrity, thereby supporting stronger growth and more inclusive societies. (The Organisation for Economic Co-operation and Development, 2015) Thus, governance encompasses the establishment of comprehensive frameworks, rules, and procedural systems that guide decision-making within corporate structures. It also entails the definition of institutional objectives, the development of strategic plans, and the implementation of robust monitoring mechanisms to facilitate the achievement of goals and the systematic evaluation of organizational performance.

Shariah Governance

The term of *Shariah* governance lacked a precise and formal definition in earlier regulatory documents, including AAOIFI's Governance Standards No. 1-7 and IFSB-3, both of which did not explicitly define the concept. A formal and comprehensive definition was first introduced when the IFSB issued the Guiding Principles on *Shariah* Governance Systems for Institutions Offering Islamic Financial Services (IFSB-10). The Islamic Financial Services Board (IFSB) defines *Shariah* governance as the institutional and organization arrangements through which an Islamic financial institutions ensure that is effective and independent oversight of *shariah* compliance (Islamic Financial Services Board, 2009). *Shariah* governance encompasses both ex-ante elements, such as the issuance of *fatawa*, and ex-post elements, including *Shariah* internal reviews and *Shariah* audits (Sadek et al., 2020). A sound *Shariah* governance framework includes internal *Shariah* review, a *Shariah* Supervisory Board, and mechanisms to disseminate and implement rulings within the institution (Ulfi, 2022).

Shariah governance constitutes a specialized framework tailored specifically for Islamic financial institutions, established to ensure that all financial products, operations, and services are fully compliant with *Shariah* (Ratna et al. 2025). Unlike conventional corporate governance, which primarily emphasizes shareholder interests, operational efficiency, and fiduciary

accountability, *Shariah* governance integrates a distinct religious dimension by mandating the prohibition of interest (*riba*), excessive uncertainty (*gharar*), gambling (*maysir*), and investments in activities deemed unethical or impermissible under *Shariah* principles.

AAOIFI has promulgated basically seven major governance standards (GSIFI-1 to GSIFI-7), comprehensively addressing the operational dimensions of *Shariah* Supervisory Boards, *Shariah* review mechanisms, *Shariah* audit and governance structures, independence requirements, ethical standards for *Shariah* board members, and corporate social responsibility practices. These standards primarily aim to strengthen *Shariah* governance and enhance accountability within Islamic financial institutions. (Accounting and Auditing Organisation for Islamic Financial Institutions, 2010)

In parallel, the Islamic Financial Services Board has introduced two principal standards—IFSB-3 and IFSB-10—which provide high-level guiding principles for corporate governance and *Shariah* governance systems applicable specifically to Islamic financial institutions, excluding Takaful operators and Islamic mutual funds. While AAOIFI's governance standards emphasize operational *Shariah* compliance and ethical conduct at the institutional level, the IFSB's standards are regulatory in nature, aiming to ensure the systemic stability, prudential oversight, and soundness of the broader Islamic financial services industry. (Islamic Financial Services Board, 2006, 2009)

Moreover, AAOIFI has recently undertaken significant revisions to its *Shariah* governance standards, further refining and expanding their scope. The updated framework encompasses key areas including: the *Shariah* Governance Framework, the appointment and composition of the *Shariah* Supervisory Board, the duties and operational responsibilities of the *Shariah* Supervisory Board, the review and reporting processes, the application of *Shariah* governance principles to subsidiaries companies, and the institutional process for *Shariah* decision-making. These developments signify AAOIFI's commitment to enhancing the coherence, robustness, and practical effectiveness of *Shariah* governance across the Islamic financial industry, addressing the evolving needs of contemporary Islamic finance institutions while ensuring adherence to core *Shariah* principles. (Accounting and Auditing Organisation for Islamic Financial Institutions, 2024)

Although *Shariah* governance and corporate governance have different conceptual foundations, they share common objectives such as transparency, accountability, and ethical conduct. As noted by Chowdhury & Shaker (2015), corporate governance structures help reinforce *Shariah* governance mechanisms by ensuring proper oversight of management and enhancing institutional credibility. The main distinction lies in the religious obligations inherent in *Shariah* governance, which demand adherence to *Shariah* in all aspects of financial operations. While the literature on *Shariah* governance has expanded considerably in countries such as Malaysia, Pakistan, and members of the Gulf Cooperation Council (GCC), there remains limited research specifically focused on Thailand. Existing studies often provide general overviews of Islamic finance in the Thai context, without in-depth analysis of the governance frameworks in place. Moreover, the fragmented nature of Thailand's Islamic financial system—which includes full-fledged Islamic banks, Islamic windows, raises questions about the consistency and effectiveness of *Shariah* governance practices.

This research aims to address this gap by exploring the implementation and challenges of *Shariah* governance in Islamic banks in Thailand. Understanding the governance mechanisms in this emerging Islamic finance jurisdiction is critical to improving regulatory compliance, enhancing public trust, and aligning with global standards

Method

This study employs a qualitative descriptive research approach to explore the implementation and challenges of the *Shariah* Governance Framework within Islamic banking institutions in Thailand. A qualitative method is deemed appropriate, as it enables an in-depth examination of institutional, regulatory, and operational dimensions of *Shariah* governance, particularly within an emerging Islamic finance environment such as Thailand.

The study utilizes both primary and secondary qualitative data sources. Primary data were collected through semi-structured interviews with key stakeholders, including *Shariah* Advisory, *Shariah* department officers, and senior executives of Islamic finance institutions. These interviews provided firsthand insights into the practical challenges, implementation strategies, and institutional perspectives related to *Shariah* governance. Complementing this, secondary data were drawn from a variety of documentary sources, including regulatory documents issued by Thai authorities, annual reports of the Islamic Bank of Thailand and other financial institutions operating Islamic windows, governance standards published by AAOIFI and IFSB, as well as relevant academic literature such as peer-reviewed journal articles, dissertations, and policy papers. This combined data approach enabled a comprehensive and multi-dimensional analysis of the *Shariah* governance landscape within Thailand's Islamic banking sector.

The collected data were analyzed using thematic content analysis, a method that involves identifying, categorizing, and interpreting recurring patterns and themes within qualitative datasets. The analysis focused on the structural elements and operational practices of *Shariah* governance within Thai Islamic banking institutions, as well as the regulatory and institutional challenges, including the absence of a centralized *Shariah* authority and gaps in capacity building. These findings also shed light on broader implications for policy development and institutional reform. This qualitative approach ensures a comprehensive understanding of the current strengths, inherent limitations, and potential opportunities for enhancing *Shariah* governance across Thailand's Islamic finance sector.

Results and Discussion

Islamic Banking Windows in Thailand

The establishment of Islamic banking windows in Thailand represented an early government initiative to expand financial inclusion for the Muslim minority population, aligning with broader economic integration strategies under the Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT) (Islamic Bank of Thailand, 2005). The Government Savings Bank (GSB) launched Islamic banking services in 1998, followed by the Bank for Agriculture and Agricultural Cooperatives (BAAC) in 1999, and Krung Thai Bank PCL in 2002, which established full-branch Islamic banking operations. These services operated under the Notification of the Bank of Thailand on the Permission for Commercial Banks to Provide Financial Services in Accordance with *Shariah* Principles (*Shariah* Banking Services) 2003 issued by the Bank of Thailand. However, after the establishment of the Islamic Bank of Thailand (iBank) in 2003, the Ministry of Finance consolidated Islamic banking operations by transferring the services offered by GSB and Krung Thai Bank to iBank in 2005. Currently, BAAC remains the sole provider of Islamic banking windows, offering a range of *Shariah*-compliant products including *Wadiah* and *Mudharabah* deposits, and *Murabahah* and *Ijarah* financing. The Islamic Banking Fund of BAAC operates through more than 250 service points nationwide. (Bank for Agriculture and Agricultural Cooperatives, 2023a).

The contraction of Islamic banking window services in Thailand highlights several systemic challenges. Maintaining operational separation, as mandated by the Bank of Thailand, imposes substantial administrative and compliance burdens. Furthermore, the relatively small size of the Muslim banking market in Thailand has made Islamic windows economically unsustainable without sufficient economies of scale (Siththivanich & Hassan, 2017). The BAAC Islamic Banking Fund remains operational largely due to its unique integration into community development initiatives and government-backed agricultural financing, rather than through commercial viability alone. This experience mirrors global trends, where Islamic windows thrive only when there is a strong regulatory framework, market demand, and institutional support. Overall, while Islamic windows have introduced *Shariah*-compliant finance to Thailand's mainstream banking system, their future development will require strategic regulatory reforms and broader market-building efforts.

Shariah Governance Framework for Islamic Banking Windows

The regulatory framework for Islamic banking windows in Thailand is primarily derived from the Notification of the Bank of Thailand on the Permission for Commercial Banks to Provide Financial Services in Accordance with *Shariah* Principles (*Shariah* Banking Services) 2003. This framework was subsequently updated and replaced by Notification of the Bank of Thailand No. SN.S. 20/2551 (2008), titled “Permission for Commercial Banks to Conduct Financial Services in Accordance with *Shariah* Principles,” issued under the Financial Institution Business Act, B.E. 2551 (2008). Under this notification, commercial banks are permitted to offer Islamic banking services provided that there is a clear and effective segregation between Islamic and conventional operations. This includes the implementation of separate accounting systems, start-up capital, and internal control mechanisms. Furthermore, banks are required to appoint at least one qualified *Shariah* advisor and to obtain prior approval from the Bank of Thailand before introducing any new Islamic financial products. These provisions aim to ensure that Islamic banking operations comply fully with *Shariah* principles while maintaining regulatory oversight and operational integrity. (Bank of Thailand, 2008).

Despite this formal structure, Islamic windows face significant governance challenges, which operate without a centralized national *Shariah* advisory council to ensure uniformity in *Shariah* compliance standards. Although the regulatory framework mandates internal *Shariah* advisory mechanisms, the absence of a centralized *Shariah* governance body leads to inconsistencies across institutions. Each bank independently appoints its *Shariah* advisors, resulting in potential variations in the interpretation and application of *Shariah* principles (Sittthivanich & Hassan, 2017). Furthermore, the existing regulatory provisions do not sufficiently address several critical dimensions of *Shariah* governance. In particular, there is a lack of clear guidance regarding the independence and accountability of *Shariah* advisors, the formal institutionalization of internal *Shariah* compliance processes, the establishment of robust *Shariah* review and *Shariah* audit functions, and the implementation of structured risk management systems to mitigate *Shariah* non-compliance. This regulatory inadequacy mirrors international findings, where decentralized and institution-specific *Shariah* governance frameworks have often resulted in heightened governance risks and reputational vulnerabilities (IFSB, 2009). To achieve greater alignment with global best practices—such as those adopted in Malaysia, Pakistan and United Arab Emirate—Thailand would benefit from implementing a dual-tier *Shariah* governance structure. This model would entail the establishment of a centralized national *Shariah* Supervisory Council responsible for standard setting and regulatory coherence, complemented by institution-level *Shariah* committees tasked with operational oversight. In the absence of such structural reforms, the long-term sustainability, credibility, and systemic integration of Islamic banking windows may remain limited, thereby constraining their potential contribution to the broader development of Thailand’s Islamic finance ecosystem.

Islamic Bank Full-Fledged in Thailand

The Islamic Bank of Thailand, officially established under the Islamic Bank of Thailand Act B.E. 2545 (2002), commenced operations on 12 June 2003 with an initial paid-up capital of THB 1 billion, comprising 100 million shares at a par value of THB 10 each (Islamic Bank of Thailand, 2005). While the bank initially focused on serving the Muslim population—particularly in Thailand’s southern provinces—it subsequently broadened its strategic scope to target the wider national population by developing a range of *Shariah*-compliant financial products and positioning itself as an ethical banking alternative accessible to all, irrespective of religious affiliation (Islamic Bank of Thailand, 2019). Capital restructuring efforts culminated in legislative amendments in 2018, permitting the Ministry of Finance to hold a permanent majority stake of over 49%, resulting in direct ownership of 99.59% as of December 2023. Institutional vision: to become “a financial institution that provides services based on *Shariah* principles for sustainability,” integrating principles of responsible banking, environmental stewardship, and strong adherence to Islamic jurisprudence. Recent annual reports (2022–2023) further

underscore the bank's strategic transformation, highlighting initiatives such as digitalization, enhanced *Shariah* governance practices, and product development tailored for both retail and SME segments (Islamic Bank of Thailand, 2024).

The institutional evolution of the Islamic Bank of Thailand (IBank) offers critical insights into the multifaceted challenges of developing full-fledged Islamic banking within a predominantly non-Muslim socio-economic context. Throughout its trajectory, IBank has benefited significantly from government ownership, which has served as a strategic enabler by ensuring financial stability and facilitating national expansion; however, this same ownership has also posed structural constraints, particularly in terms of limiting operational autonomy and diminishing competitiveness due to potential political or bureaucratic interference. Despite strategic efforts to broaden its market beyond the Muslim demographic, IBank continues to confront reputational limitations associated with its identity as an Islamic financial institution—an association that, while fostering trust among Muslim clientele, may impede wider market penetration, especially among non-Muslim consumers unfamiliar with or uncertain about Islamic finance. As the bank scales its operations, the imperative to reinforce its *Shariah* governance framework becomes increasingly pronounced, given that the credibility and sustainability of Islamic financial institutions depend heavily on the robustness of internal mechanisms such as *Shariah* review, *Shariah* risk management, and *Shariah* audit functions. Without institutionalizing these functions at a high standard, IBank risks eroding stakeholder confidence in its *Shariah* compliance integrity. In parallel, the bank's recent strategic shift toward integrating environmental, social, and governance (ESG) considerations into its operational philosophy reflects a progressive alignment with global ethical finance trends, wherein ESG and *Shariah* principles converge to support both religious and socially responsible financial outcomes. Taken together, these dynamics underscore that while IBank has made substantial strides in institutionalizing Islamic banking in Thailand, its sustained success will ultimately hinge on its capacity to strengthen *Shariah* governance, enhance operational efficiency, and reposition Islamic finance as a universally ethical alternative that transcends religious identity and appeals to broader segments of the national financial landscape.

Shariah Governance Framework for an Islamic Bank Full-Fledged in Thailand

The *Shariah* Governance framework applicable to full-fledged Islamic banking institutions in Thailand, notably the Islamic Bank of Thailand (IBank), is grounded in a dual regulatory foundation: the Islamic Bank of Thailand Act B.E. 2545 (2002) and the Bank of Thailand's Notification on the Supervision of Specialized Financial Institutions Operating in Accordance with Islamic Principles B.E. 2562(2019), which replaced earlier notifications issued in 2016 and 2019 (Bank of Thailand, 2019). The Islamic Bank of Thailand Act establishes IBank as a state-owned financial institution mandated to operate in accordance with Islamic principles. It provides for the formation of a *Shariah* Advisory Committee responsible for offering opinions and reviewing operations to ensure *Shariah* compliance. The Act mandates that all financial products and services must comply with *Shariah*, prohibiting elements such as *riba* (interest) and *gharar* (excessive uncertainty), while requiring the establishment of internal mechanisms to uphold *Shariah* principles (Islamic Bank of Thailand, 2005). Complementing this, the Bank of Thailand Notification No. 19/2559, superseded by No. 25/2562, prescribes detailed governance requirements specific to Islamic banking operations. These include mandates for *Shariah* advisory functions, integration of *Shariah* compliance into risk management, and development of internal audit systems. The regulation requires that IBank maintain an internal *Shariah* Advisory Committee with authority to review and advise on all *Shariah*-related matters, including product development, operational policies, and compliance review (Bank of Thailand, 2019).

The *Shariah* Advisory Committee is also obligated to submit annual *Shariah* compliance reports, report any instances of non-compliance, and recommend appropriate corrective actions. Additionally, internal personnel with expertise in Islamic jurisprudence and finance are required to support ongoing supervision and implementation. While this structure reflects a foundational model for Islamic banking governance, it does not fully incorporate key features found in

international frameworks such as the AAOIFI Governance Standards for Islamic Financial Institutions (GSIFI) or IFSB-10, including mechanisms for *Shariah* risk management, independence, and performance accountability (AAOIFI, 2010; IFSB, 2009). Further highlight practical challenges, including the absence of a centralized *Shariah* authority, inconsistencies in governance practices, and underdeveloped internal *Shariah* compliance mechanisms constrain the effectiveness and credibility of the *Shariah* Governance Framework. These findings emphasize the need for Thailand to consider evolving toward a dual-tier *Shariah* governance system, similar to Malaysia's model, which features a centralized national *Shariah* Supervisory Council alongside institution-level *Shariah* Advisory Committee. (*Shariah* Advisor 20 January 2025, *Shariah* Department officers 1 February 2025, senior executives 23 April 2025)

In conclusion, while Thailand's regulatory framework marks significant progress in formalizing Islamic banking governance, further refinement is needed. Integrating international best practices can enhance governance quality, improve market confidence, and position Thailand's Islamic finance sector for sustained and credible growth within the global *Shariah*-compliant financial ecosystem and resilience of Islamic finance (Alam et al., 2019) These institutional enhancements are not only essential for ensuring *Shariah* compliance but also contribute to the overall operational efficiency and market competitiveness of Islamic banks. Empirical studies have demonstrated that robust *Shariah* governance frameworks significantly improve the technical and scale efficiency of Islamic financial institutions. Attia et al. (2023) emphasize that *Shariah* boards positively influence technical efficiency, and suggest that policymakers, bank managers, and investors should integrate governance performance indicators when evaluating Islamic bank operations. This further reinforces the strategic importance of investing in *Shariah* governance capacity as a driver of both compliance integrity and financial performance. (Attia et al., 2023)

Conclusion

This study reveals that while Thailand has made meaningful progress in formalizing *Shariah* governance for both Islamic banking windows and full-fledged institutions, significant structural and operational limitations remain. The absence of a centralized *Shariah* authority, inconsistencies in governance practices, and underdeveloped internal *Shariah* compliance mechanisms constrain the effectiveness and credibility of the *Shariah* Governance Framework in the Thai context. Scientifically, this research contributes to the limited body of literature on *Shariah* governance in minority Muslim jurisdictions, offering empirical insights from Thailand's evolving Islamic finance ecosystem. It underscores the critical role of regulatory clarity, institutional capacity-building, and dual-tier governance structures in ensuring compliance and enhancing stakeholder trust. Future research should consider a comparative, multi-country analysis or employ quantitative methodologies to evaluate the impact of governance reforms on performance indicators such as customer confidence, financial sustainability, and compliance outcomes in Islamic financial institutions.

In light of the findings and discussion presented, the following recommendations are proposed to enhance the effectiveness of the *Shariah* Governance Framework in Thailand's Islamic banking sector:

1. Establishment of a Centralized *Shariah* Supervisory Authority Thailand should consider establishing a national-level *Shariah* Supervisory Council under the purview of the central bank or relevant regulatory body. This body would provide standardized *Shariah* rulings, oversee institutional *Shariah* committees, and ensure consistency in *Shariah* compliance practices across financial institutions. Such a dual-tier governance model, similar to those implemented in Malaysia, Pakistan and United Arab Emirates, would strengthen regulatory coherence and reduce the risk of inconsistent *fatwa* issuance.
2. Enhancement of Internal *Shariah* Governance Functions Islamic financial institutions must Institutionalize comprehensive internal *Shariah* functions, including *Shariah* review, *Shariah* risk management, and *Shariah* audit. These functions should operate

independently and be integrated into the overall risk and compliance architecture of the institutions to uphold accountability and transparency in *Shariah* matters.

3. **Development of Human Capital and Capacity Building** Targeted efforts should be made to develop the expertise of *Shariah* governance practitioners, including *Shariah* committee members, *Shariah* internal reviewers, *Shariah* compliance officers and *Shariah* audit. Training programs in Islamic jurisprudence, financial instruments, and regulatory standards should be supported by academic institutions, regulatory agencies, and international partners such as AAOIFI and IFSB.
4. **Regulatory Refinement and International Alignment** the existing regulatory framework should be further refined to align more closely with international standards such as AAOIFI's Governance Standards (GSIFI) and IFSB-10. Regulatory updates should include clear provisions for independence, accountability, conflict of interest avoidance, and performance assessment of *Shariah* committee members.
5. **Public Education and Market Engagement** to promote broader market acceptance of Islamic finance, public awareness campaigns should be implemented to demystify *Shariah*-compliant products and emphasize their ethical and inclusive financial characteristics. This will help expand the customer base beyond the Muslim community and support national financial inclusion goals.

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Declaration of Conflict of Interest

The authors declare that there is no conflict of interest regarding the publication of this article.

Author's Contribution Statement

1. **Muhammad Roflee Weahama:** Works on conceptualization, methodology, data collection, data analysis and writing the original draft.
2. **Zakariya Hama:** Focuses on conceptualization, methodology, data collection, data analysis, supervision, validation and writing—review and editing.
3. **Maroning Salaming:** Works on literature review, data collection, data curation and writing—review and editing.

All authors have read and approved the final version of the manuscript.

Ethics Statement

This study was conducted in accordance with generally accepted ethical standards for qualitative social science research. Informed consent was obtained from all interview participants before data collection. Participation was voluntary, and the anonymity and confidentiality of the participants were strictly maintained.

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