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Islamic finance facing dual governance and performance constraints
Analytic approach

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Abstract:

In the world of finance, the need for good governance is of utmost priority to maintain the trust of clients, regulatory authorities, and all stakeholders. The management of funds, granting of credits, and access to confidential information about clients' wealth require stricter management, regulation, and supervision.

Given the growing size of the Islamic finance industry worldwide, and its particularly ethical nature, it requires even more the establishment of good governance capable of enhancing the trust of clients, regulatory authorities, and all stakeholders in this relatively young sector

Keywords: governance, sharia governance, performance

JEL Classification: G21,L25,Z12

1. Introduction:

Good governance guides strategy, enables the achievement of objectives, mitigates the intensity and danger of various risks, and ultimately leads to responsible use of resources. It prioritizes the respect of the interests of "stakeholders" (citizens, public authorities, partner shareholders, etc.) and ensures that their voices are heard in the conduct of affairs[i].

The concept of governance generally aims to establish appropriate procedures to reduce risks related to determining the company's objectives and monitoring their implementation, while ensuring a satisfactory balance of the interests at stake.

It is now proven that governance plays a certain and important role in the stability and resilience of the financial system as a whole. For depositors and bank clients, good governance increases trust and constitutes a significant factor in the choice of the institution.

The last few decades have seen the emergence and development of a new industry: Islamic banking. This industry is characterized by banking operations that exclude the use of interest. They have come to challenge the established institutional order and therefore contravene the traditional banking standards and control rules imposed by banking regulatory authorities

Due to the growing size of the Islamic finance industry worldwide, and its particularly ethical nature, it requires even more the establishment of good governance capable of enhancing the trust of clients, regulatory authorities, and all stakeholders in this relatively young sector[ii].

Islamic financial institutions worldwide are required to comply with existing regulations as well as Sharia standards. Will this strengthen **the good governance of Islamic financial institutions and consequently have positive impacts on their performance**?

We will try through this article to find an answer to our problem, by focusing specifically on the governance that characterizes Islamic financial institutions (IFI), as well as its direction to achieve the expected performance.

2. Governance in the conventional financial system:

The specific nature of credit institutions makes governance a crucial element for their strength and development[iii]. Among these specificities[iv]:

- The notion of trust plays a fundamental role in the level of banking, depending on the operation and control mode of these institutions.
- Credit institutions are more exposed than ordinary companies to situations of conflicts of interest such as profitability/risk, loans to related parties, conflicting functions...

The supervisory or regulatory authorities have much to gain from the practice of sound governance by banks for several reasons[v]:

- Good governance is a condition for the strength and security of banks, whereas dysfunction could alter the risk profile of banks.
- Sound governance by banks increases the confidence of regulatory authorities in the bank's internal processes, it facilitates and reduces the intervention of the latter, and thereby contributes to ensuring an efficient and cost-effective control process.
- Finally, good governance facilitates the protection of depositors.

Islamic banks, for their part, have particularities that distinguish them from conventional banks, and which impose on them an appropriate and unique framework for operation, governance, and supervision[vi].

3. Islamic Banking: A Unique Governance

Islamic banking is a full-fledged bank; therefore, it adheres to the same principles of good governance as their conventional counterparts, with the addition of a specific constraint related to Sharia[vii] compliance that must be scrupulously respected. This constitutes another mandatory form of governance for Islamic banks and any Islamic financial institution (IFI) in general. Thus, the Islamic bank is subject to dual governance: the first being organizational and administrative, similar to banks in the conventional system, and the second being Sharia-based, which gives it legitimacy vis-à-vis shareholders, clients, depositors, the general public, and all stakeholders of the bank. Indeed, the risk of non-compliance with Sharia is the most threatening to the survival and development of an Islamic bank, as it leads to reputational risk and can result in a massive withdrawal of funds by clients with strong religious convictions[viii].

3.1. Rules of governance in Islamic law:

- Prohibition of the practice of interest (Riba), which is considered usury and encompasses any form of fixed or variable interest.
- Sharing of losses and profits among the various participants in the financial transaction.
- Prohibition of speculation (gharar). The term gharar particularly refers to two uncertainties: the uncertainty of the commercial transaction itself, and the uncertainty related to the goods being exchanged. It also prohibits speculating on bankruptcies.
- Requirement that financing operations exclusively involve halal (permissible) assets according to Sharia.
- Requirement that every transaction must be backed by tangible assets.

These rules[ix] have two interdependent objectives: ensuring the legitimacy of banking operations and developing a solidarity-based economy[x].

3.2. International Regulatory Framework for Governance of IFIs:

The main international organizations overseeing Islamic finance that have made efforts in this discipline are AAOIFI and IFSB[xi].

3.2.1. AAOIFI:

The "Accounting and Auditing Organisation for Islamic Financial Institutions" is an international Islamic organization based in Bahrain. It is an autonomous, non-profit organization with a mission to develop standards for auditing, accounting, governance, ethics, and Sharia for Islamic financial institutions.

So far, it has issued a significant number of standards covering accounting, auditing, governance standards, ethical codes, and Sharia standards. Additionally, AAOIFI has published two codes of ethics: the first is intended for auditors and accountants of Islamic financial institutions, while the second applies to all employees of Islamic financial institutions.

3.2.2. The IFSB:

"Islamic Financial Services Board" is an international standard-setting organization headquartered in Kuala Lumpur, Malaysia. Its objective is to issue prudential standards and international standards compliant with Sharia for supervisory and regulatory agencies to contribute to ensuring the stability and soundness of the Islamic financial system[xii].

The IFSB has issued several standards, guidance notes, and technical notes, particularly in the areas of risk management, governance, prudential supervision, capital adequacy, transparency and market discipline, covering all segments of Islamic finance.

The efforts of these specialized standardization and normalization institutions are indeed essential, but they are limited to identifying best practices and recommending them without having the authority to enforce their standards on Islamic financial institutions

(IFIs). It is the responsibility of financial authorities and national governance bodies to impose these standards on their IFIs within a coherent and appropriate regulatory framework for each country.

3.2.3. L'**IIFA:**

"International Islamic Fiqh Academy," based in Jeddah, is an international Sharia committee composed of jurists knowledgeable in the field of Islamic transactions. Its role is to formulate fatwas that can serve as a common basis to ensure the coherence of fatwas across the world.

4. Sharia Committee Governance:

The Quran and the Sunnah, which are the sayings and actions of the Prophet, define for Muslims a code of life on both a personal and collective level. In this context, all functions of the bank are carried out strictly in accordance with Sharia. To achieve this, a religious supervisory council or Sharia committee oversees and monitors all transactions of the bank, which must be submitted to the bank's management[xiii]

The Islamic Financial Services Board has defined Sharia governance as "a governance system consisting of all institutional and organizational arrangements through which Islamic financial institutions ensure that there is effective and independent oversight of compliance with Sharia principles for each unit of the following structures and processes[xiv].

- The issuance of fatwas or decisions by the Sharia Committee on all products and transactions proposed by the IFI, as well as the detailed analysis of legal contracts. In the presence of a central Sharia committee, the Sharia committees of IFIs must ensure that the IFI takes into account its fatwas.
- The dissemination of information related to fatwas or decisions to all employees of the IFI, who ensure the daily compliance of all operations and transactions with these fatwas. This is generally handled by a compliance monitoring service or function.
- The establishment of an internal Sharia compliance audit that effectively ensures Sharia compliance in advance and reports any non-compliance to the Sharia committee, which in turn recommends to the management of the IFI to correct the identified anomalies.
- An annual Sharia audit must ensure that the internal Sharia audit has been conducted correctly and without any specific remarks. This is verified either by the Sharia committee itself after receiving the reports from the internal Sharia audit, or by an external Sharia audit.

This framework ensures that Islamic financial institutions operate in accordance with Sharia principles and are subject to oversight and monitoring to maintain compliance.

4.1. Legal Role:

The Sharia Committee is an independent entity of legal experts specializing in Fikh Al Mouamalat (Islamic commercial jurisprudence) charged with reviewing and supervising the bank's activities to ensure their compliance with the principles of Islamic Sharia.

The members of the Council are sometimes from different countries. For example, the members of the Sharia Committee of the Islamic Investment Company of the Gulf and Faysal Islamic Bank Bahrain are from Bahrain, Egypt, Saudi Arabia, Turkey, and Pakistan. These two institutions are members of the DMI Group and therefore share the same committee. Due to the significant number of its subsidiaries, the DMI Group has a full-time Sharia committee, which in the eyes of some, compromises the independence of the Sharia committee and creates some conflicts of interest. This is also the case for other groups such as the Al Baraka Group.

Islamic financial institutions generally ensure that well-known experts known for their integrity and knowledge of Islamic jurisprudence are part of their Sharia council[xv].

Furthermore, the more renowned the members of the Sharia committee are, the more credibility it gives to the bank among stakeholders, especially clients.

Some banks, particularly Islamic windows, compensate the members of the Sharia committee. In the case of other banks, these experts are generally not paid, except for communication expenses and those related to the review of transactions, which enhances their independence and authority.

4.2. The implicit role:

In fact, the Sharia committee at its level ensures a dual governance role. On the one hand, it relates to the compliance of commercial transactions approved by the leaders with the principles of Sharia, and on the other hand, it relates to the respect by the leaders and the bank of Islamic ethics or Souloukiat.

Ethics in the Islamic banking sector is based on the fundamental principles of Sharia, with references to the Quran, Hadith, and Sunna, as well as the general principles of Sharia applicable to banking, such as the duty of good faith in contracts and transactions[xvi]. It also involves fulfilling obligations correctly and honestly. The rules issued by the Accounting, Auditing, and Governance Standards for Islamic Financial Institutions (1999) mention integrity, sincerity, compassion, righteousness, the proper fulfilment of duties, fear of God, accountability to Him, etc

Islamic banks stand out from other financial intermediaries by emphasizing ethical aspects.

Adherence to ethical rules is what ensures the organization's image and reputation, generating intangible assets. To guarantee this image and reputation, monitoring the ethical nature of banking transactions and product development is not enough. The behaviour of the organization's leaders and executives is also implicitly monitored by the Sharia committee.

Ethics for the leaders of Islamic banks become especially important in our context when we consider that the very reason for the existence of this industry is fundamentally based on ethics[xvii]. This is even more crucial as negative behaviours in the business domain by leaders of several companies worldwide have led to a loss of trust in their leadership and consequently to organizational failure and financial losses. Such behaviours affect the image and reputation of the company, not to mention the legal and moral consequences.

Members of the Sharia committees are particularly vigilant in matters of ethical governance because they believe that material aspects have taken precedence, even in Muslim countries, which risks diverting leaders from the teachings of Sharia in ethical matters. Such deviations can lead to disputes, legal actions, loss of rights, and neglect of human aspects within the organization. Such behaviours inevitably lead to the loss of the cooperative spirit necessary for organizational life.

For the leader, Souloukiat constitutes his guide in work, the reference for evaluating his performance, and his compensation in case of failure or exceeding expectations. The Sharia committee ensures this.

According to the members of the Sharia committee, adhering to the ethics emanating from Sharia confers a dual advantage: improved organizational performance and the blessings and rewards from God in the hereafter.

Although they are not statutorily charged with this mission, members of the Sharia committees feel morally obligated to ensure this governance because Souloukiat refers to the values of Sharia.

It is worth mentioning here that the rules of good governance established by various international organizations, although relatively recent, are based on the Quran and the Sunnah. In fact, in addition to the religious prohibitions or restrictions of Riba, Gharar, or Maysir, other ethical principles are at the center of the objectives or concerns of Islam.

Among others, we can mention: the duty of fairness and social justice, honesty, transparency, and clarity, the protection of the rights of the weaker, the safeguarding of flora and fauna, good faith, and the perfect fulfilment of one's duties

All these principles are widely advocated today by organizations regulating the business world, under different terms, such as socially responsible economics (or finance), principles of socially responsible business, business ethics principles, sustainable development, etc.

5. Differences Between the Board of Directors and the Sharia Committee:

Managers of Islamic banks find themselves subject to a system of dual governance, that of the board of directors and that of the Sharia committee. One defends the interests of shareholders and the other those of the intangible environment and indirectly of the community and clients[xviii]. Indeed, the former defends the imperatives of the bottom line, the best possible return on investment[xix], and the latter, the best performance in terms of ethics and compliance with Sharia law.

As a result, leaders are subject to double pressure. On one hand, the pressure from the board of directors seeking improvement in return per share and that from clients demanding highly competitive products involving increasingly reduced margins for the bank, and on the other hand the pressure from the Sharia committee imposing formidable compliance constraints with Sharia law

Conforming transactions to Sharia can sometimes be very costly in terms of money and time, which goes against the demands of the board of directors. Additionally, non-Islamic clients may sometimes not understand the structure of Islamic products. Furthermore, the Sharia committee also ensures the ethics of the leaders, ethical behaviour, ethical conduct in business dealings, ethical pricing, and more. This means that the leader has little room to make transactions that do not respect ethics or Sharia principles.

Therefore, leaders find themselves caught between two powers: the decision-making power of the board of directors[xx], which can affect their careers, and an equally important moral power, that of the Sharia committee, which can affect their reputation.

In conclusion, the leader and the organization are faced with two dominant powers: the decision-making power of the board of directors and the moral power of the Sharia committee.

5.1. Share Holder Dominance Situation:

Under the right of use, leaders are required to manage the organization based on the interests of the shareholders, namely profit maximization, which inevitably implies limited autonomy for the leaders. Islamic banks have not yet reached the size and complexity of Western companies. Therefore, shareholders are not silent owners and enjoy all their rights and powers, including the ability to close the company if their interests are not met[xxi].

In this perspective, leaders are mere agents and must manage the organization solely in the interest of the shareholders. The evaluation standards of these organizations are also based on the value of the shares

Leaders cannot make strategic decisions that may have a negative effect on maximizing shareholder profits. In other words, they cannot manage the organization from the perspective of their personal interest.

Furthermore, shareholders have the statutory power to revoke the Sharia committee, but they cannot do so without extremely serious and valid reasons. This implies that the Sharia committee also enjoys a situation of equally significant dominance.

5.2. Sharia Committee Dominance Situation:

The operation of Islamic banks is fundamentally based on the implementation of Sharia principles and the resulting ethical principles. The Sharia committee is the only entity authorized to interpret and monitor the application of these principles and ethics, giving it considerable moral power. This power is further increased by the simple fact that the Sharia committee is not part of the hierarchical structure and enjoys great independence from all organizational instances and stakeholders.

Some wonder whether the dual governance of the Sharia committee makes it more powerful than the leaders and the board of directors.

6. Sharia-Performance Relationship:

At the very beginning of the launch of Islamic banks, the governance exercised by the Sharia committees posed a serious challenge for the leaders and the functioning of Islamic banks. They did not speak the same language. The members of the committees were not well-versed in areas other than Sharia, and conversely, the leaders were not well-versed in Sharia. Furthermore, the position of the committees varies from one bank to another. However, with the role played by the leaders of Islamic financial institutions within their organizations, the apparently contradictory requirements of these two governance systems help to raise awareness within the Sharia council about the profit concerns of shareholders necessary for the survival of the organization, and to sensitize the staff to the Souloukiat culture that generates legitimacy and performance.

Islamic doctrine encourages man to have a positive attitude towards profit. Man, as a Vicegerent on earth, must fully engage his energy and intelligence to make the goods entrusted to him by God fruitful. Furthermore, Islam, contrary to the doctrine of the church, is not against but rather encourages true profit as a return on entrepreneurial effort and true financial capital, that is, in accordance with Sharia.

furthermore, Islamic economic doctrine does not view the firm as a black box. It encourages individuals to adopt a positive attitude towards economic enterprise, trade, and wealth acquisition. However, the application of excessive profit margins in commercial transactions may be frowned upon by the Sharia committee, as it would consider it as an act contrary to Islamic ethics.

For the members of the Sharia committee, organizational performance is measured by the degree to which leaders adhere to Sharia principles in the transactions conducted by the bank. Knowing that Islamic doctrine encourages profit generated from real assets, it is imperative that this profit be generated in full compliance with Sharia principles. Therefore, leaders have a strong interest in presenting transactions that do not generate income from usury (riba).

As a result, financing transactions through equity is preferred over debt. Thus, it is clear that the relationship between Sharia and performance in Islamic banks is crucial and requires a delicate balance between the profitability requirements of shareholders and the respect for Sharia ethical principles[xxii].

Thanks to a better understanding of banking techniques, members of Sharia committees no longer simply reject transactions that are incompatible with Sharia and presented by leaders, but strive to help leaders structure their transactions in the most optimal way possible.

6.1. The impact of regulation on the performance of Islamic banks:

The determining factor for the establishment of banks in a given country is the favourable regulatory environment compared to other countries during a given period. In Bahrain, for example, the regulatory authority, the BMA (Bahrain Monetary Agency - the central bank), is responsible for ensuring that Islamic banks adhere to good rules and are managed to maintain and increase the trust of customers and stakeholders in the financial sector in their dealings with Islamic banks.

The BMA has developed a prudential information and regulatory framework for Islamic banks called PIRI (Prudential Information and Regulatory Framework for Islamic Banks), the implementation of which began in March 2002. The objective of PIRI is to provide a regulatory framework for Islamic banking operations and to use available information on returns to monitor bank operations and help identify any risks of underperformance in Islamic banks.

We can say that the BMA is an example to follow in terms of supervising the Islamic banking sector.

However, this is not the case for many organizations around the world that have not made the necessary changes in such situations, particularly in terms of banking laws to make them suitable for Islamic banks. The transparency of information is incomplete, making it impossible to execute contracts such as Mudaraba, which require a high level of transparency.

Therefore, banking regulation is a decisive factor in the performance of Islamic banks. Current experiences confirm this result, and the lack of specific regulations for Islamic banks in Mauritania and the limited support from the central bank are cited as the main reasons for the failure of the Mauritania experience.

6.2. The effect of religious conviction in Muslim countries on banking performance:

The concern to conduct activities and transactions in accordance with Sharia principles is a crucial and decisive factor for clients of Islamic banks. It has been shown that in a monopoly situation, the ethical and religious argument alone is enough to convince potential clients to engage with Islamic banks[xxiii].

- We can say that the legitimacy of an Islamic bank and its acceptability in society facilitates and encourages its operations and the achievement of its objectives, including good banking performance.
- The legitimacy of an Islamic bank encompasses both internal and external aspects: internally, it provides employees with the moral justification for their cooperation and enhances their adherence to and respect for the institution's ethical values, leading to organizational performance. As for external legitimacy, it determines the overall survival of the Islamic bank. It is conveyed in the organizational domain by the Sharia committee. Its extent depends on the renown and reputation of its members

6.3. The leaders of Islamic banks and the achievement of organizational performance:

While a leader can manage or adapt the economic environment in the interest of society, their manoeuvrability is almost non-existent when it comes to the religious environment. They are required to reconcile two sometimes opposing governance systems. Compliance with Sharia principles is necessary but not sufficient to attract clients and increase market share; Islamic banks should achieve financial performance at least equal to that of conventional banks to compete effectively[xxiv].

To successfully fulfil their mission, a leader must strive to align the two success factors (Sharia compliance and performance) to achieve the institution's ultimate goal. They must install and establish an ethical culture among staff and promote a profit-oriented culture within the Sharia committee. An ethical culture is a valuable intangible asset for the organization. Through it, the organization gains internal cohesion and a positive image and reputation in the environment, fostering organizational performance and supporting the interests of both shareholders and the Sharia commit

The ethical aspect is indeed a competitive weapon for leaders of Islamic banks. It is said in industry circles that if they are known for their ethics and honesty, they can raise on the market the amounts they want.

Furthermore, it is necessary to sensitize the Sharia committee to the concept of profit and commercial viability. More and more Islamic banks are starting to involve members of the Sharia committee in management areas. This allows, on the one hand, to raise awareness among these members about the challenges faced by the bank and its leaders, and on the other hand, to obtain the blessing of the committee regarding the bank's strategic directions.

6.4. The impact of the competence of Sharia committee members on performance:

For the development of Islamic banks, members of the Sharia committee should have expertise in both Fiqh (Islamic jurisprudence) and in the economic and banking fields. Indeed, the lack of competence among these members has been a hindrance to the bank management's efforts in creating new Sharia-compliant products.

Lacking the necessary skills to understand the issues presented to them, these members were unable to make informed decisions, let alone propose solutions or new products. This was a major handicap for Islamic banks already facing fierce competition from conventional banks.

The scarcity of Sharia committee members in the Gulf market means that they are not available full-time to effectively carry out their mission. This raises the acute challenge of preparing for succession by training jurists in finance and guiding them through their functions within Sharia committees by the most distinguished members.

It is worth noting that good collaboration and regular communication between the Sharia committee members and the management body have a positive impact on the performance of Islamic banks.

6.5. The personnel of Islamic banks as a determining factor of banking performance:

The lack of competence among the personnel of Islamic banks has greatly contributed to the fact that these institutions have focused on Murabaha contracts, which offer low returns. Contracts involving profit and loss sharing, such as Musharaka, require high levels of expertise and knowledge in the various sectors to be financed. Most banks are aware of this challenge and are showing a strong commitment in this regard. They have taken significant initiatives in the human resources sector, such as recruiting competent employees and executives, offering attractive compensation policies, providing continuous training, and reallocating staff to new functional departments.

in addition to this, participating in decision-making in the partner company is another key factor for the success of Musharaka contracts.

Another significant concern for all Islamic banks is the high liquidity ratio, which has a negative impact on their performance. Therefore, creating investment opportunities and developing the necessary skills can help address this issue.

7. The Role of Leaders:

In an intensive doctrinal environment, particularly in the context of Islamic banks, the role of the leader appears to be monumental. This role goes beyond the functions highlighted by Andrews (1980) - such as organizational leadership, interpersonal leadership, and architect of organizational goals - or as emphasized by Homans (1964) - the interpersonal leader concerned with the efficiency of the company and on whom the entire network of interactions depends.

In other words, the role of the leader in this context is different from what we are accustomed to, namely that of someone pursuing their interests rationally, making decisions based on a cost/benefit logic[xxv]. In this case, the leader is expected to have a clear hierarchy of preferences and understand the links between different alternatives and their consequences.

In our context, the leader sets aside their choices, interests, and preferences. Their decisions are not systematic and deliberate. Their role partially resembles that described by Selznick (1957) as an expert in promoting and protecting values. However, their role goes even further.

It is that of someone whose main task is to attempt to reconcile within their organization the contradictions and inconsistencies generated by simultaneously considering the demands of the tangible task environment and the intangible environment. They must manage two potentially conflicting logic systems: one of efficiency and one of maintaining and protecting ethical and religious values.

These logics are expressed through the dual governance system that characterizes Islamic banks.

7.1. Reconciling the two governance systems:

Reconciling the two governance systems requires exceptional talents from leaders. These talents include ensuring an effective and intelligent interface with Sharia committees. This is crucial as shareholders are increasingly aware that customers demand Islamic banks to perform at least as well as commercial banks. Customers no longer accept the argument that Islamic banks offer Sharia-compliant products, justifying higher costs. Furthermore, competition from Islamic windows[xxvi] established by Western banks forces Islamic banks to take drastic measures to improve their performance by recruiting top talents.

As we can see, the role of the leader is not easy. They must fight on three fronts simultaneously: battling unevenly against competition from the Islamic windows of commercial banks, meeting the demands of a highly demanding clientele for whom the Islamic nature of a banking product is no longer a sufficient justification for being more expensive, and finally complying with Sharia requirements.

The lack of high-level and competent managers who can meet these economic challenges while also ensuring a constructive interface with the Sharia committee is sorely lacking in Islamic banks. The industry is growing at a very fast pace and exceptional caliber Islamic bankers are becoming increasingly rare. As a result, Islamic banks are now the highest payers. In their early days, Islamic banks relied on employees from the Indian subcontinent who accepted low salaries and did what they were told. This further exacerbated the Sharia-leadership relations. With industry saturation and intense competition, Islamic banks are increasingly turning to the best talents capable of working in harmony with Sharia committees[xxvii].

Simply being Sharia-compliant is not enough. The leader is also required to seek profit. This is only possible if the leader is able to achieve a dual objective: fostering a team spirit within the organization through the implementation of an ethical culture or Souloukiat, and working in harmony with Sharia committees that must be aware of the profit dimension. This involves reconciling the two governance systems previously discussed.

7.2. Promoting Souloukiat among staff:

Several authors believe that leadership plays an important role in organizational change by influencing culture[xxviii].

Islamic leaders attach particular importance to establishing an Islamic ethical culture or Souloukiat within their organizations. In fact, their strategy lies precisely in the implementation of this Souloukiat. It is this culture that will confer a reputation and a good image acceptable to the public and reinforce its legitimacy. Moreover, Souloukiat is the competitive weapon of the leader. It is a resource of important intangible assets for the organization and an essential input for performance.

Thus, it is said in the industry that leaders known for their Souloukiat or their sidk (honesty) can raise any amount they want on the market. This ethical culture that leaders strive to develop within the organization aims, in fact, at standardization and coordination which are two elements that generate organizational efficiency.

Ultimately, through the Souloukiat culture, the aim is to transform a group of neutral individuals into teams committed to achieving the same organizational goal.

Furthermore, the establishment of an ethical culture or Souloukiat by leaders is a fundamental element in the functioning of these organizations. It allows the organization to acquire internal cohesion and a good reputation and image in the environment, which are intangible assets that promote organizational performance, thus reinforcing the interests of both shareholders (profit) and Sharia committees (ethics).

7.3. Promoting profit to the Sharia committee:

Members of Sharia committees do not actually get involved in the day-to-day management of Islamic banks. Issues of competitiveness and bottom line do not influence their tasks, and they do not take them into consideration, which hinders the actions of leaders[xxix].

For some leaders, the best way to reconcile the imperatives of competitiveness with religious requirements and to ensure the survival of the organization is to promote the notions of profit and commercial viability to the Sharia committees. This can be done by expanding their banking knowledge and involving them, even informally, in setting the bank's strategic objectives.

Indeed, this involvement of the Sharia Committee will lend credibility and legitimize the actions of the bank towards clients and the community. It becomes, in a way, the guarantor of the bank's good image and will not be the hindrance that many think it is, but rather the one that promotes organizational performance. It becomes somewhat of an ally to the leaders.

In conclusion, some believe that the experience and efforts made by the members of the Sharia committees in finance, economics, and law have greatly changed things to the point where the Sharia committee and the leaders work harmoniously together.

Ultimately, the role of the leader is to align the concerns of both governance systems. As we have seen, this is no ordinary task. It requires leaders to have exceptional qualities and talents

Conclusion :

Through this article, we see that leaders are subject to the dual governance of a board of directors concerned with profitability goals and increasing shareholder value, and a Sharia committee that meticulously ensures compliance.

From transactions and behaviours of the leaders, to the Sharia principles governing the operations of Islamic banks.

In such a context, leaders play a dual and crucial role in the survival of the organization. That of a mediator and that of a teacher.

In their role as mediators, leaders ensure to reconcile the divergent positions of a board of directors whose priority is organizational performance and those of a Sharia committee whose priority is the compliance of transactions with Sharia law.

This reconciliatory task involves raising awareness among the members of the Sharia committees about the increasingly competitive environment and the necessity of making profits for the organization to survive. Such an objective can only be achieved through greater standardization of documentation, the unification of jurisprudence, and the involvement, even informally, of the Sharia committees in determining strategic objectives, profit goals, market share, etc

In the same vein, the leader is compelled to work closely with the supervisory body of financial institutions, namely the central bank, to ensure strict adherence and application of AAOIFI standards to guarantee the financial integrity of the bank.

Furthermore, the leader plays a major role as a teacher. It is their responsibility to build and implement the "Souloukiat" culture, which is the common denominator, the motivating factor for staff, and the element that fosters the teamwork spirit necessary for the organizational performance sought after by shareholders.

Recommendations:

In conclusion of this study, we will attempt to formulate some recommendations, which revolve around the following points:

- Focus on attracting high-caliber managers and training existing ones on the specifics of Islamic finance,
- Broaden the banking knowledge of Sharia committees and involve them in setting the bank's strategic objectives,
- Promote "Souloukiat" among the staff.

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