



## Exploring Shariah Governance Mechanism in Türkiye

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**Abstract:** This study aims to provide valuable insights and shed light on the overlooked aspect of Shariah governance (SG) in Türkiye by examining the role and position of the Participation Bank Association of Türkiye (PBAT) Advisory Board, a crucial actor in SG. In this concept, to collect data, the present study employed a semi-structured interview as a qualitative research method to examine the role and functions of the PBAT Advisory Board. This study included eight participants, who were members of the Advisory Board, specialists, and managers of the PBAT. Our findings offered significant insights into various themes, such as corporate governance, services, impact, fatwa, and the SG framework. This study also revealed several prominent themes, notably the SG framework and impact, which extensively discussed establishing SG in Türkiye. The theme of fatwa and services explored the activities undertaken by the organization, while the corporate governance theme shed light on its organizational characteristics. These findings contributed valuable and comprehensive insights, enhancing our understanding of the intricacies and nuances within these domains. SG mechanisms in Türkiye have recently shifted towards centralization. This study provides valuable insights using a comprehensive case study approach. The policy recommendations derived from this research can serve as a practical guide for policymakers, aiding in developing SG in Türkiye and providing a clear roadmap for future initiatives.

**Keywords:** Shariah Governance, Türkiye, Central Shariah Advisory Board, Islamic Finance

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## Introduction

Islamic financial institutions (IFIs) are responsible for ensuring that their products, instruments, operations, practices, and management align with the principles of Shariah. SG serves as a mechanism to ensure the adherence of IFIs to fatwa, compliance, and supervision. Consequently, a robust SG framework is crucial for the institutional success of IFIs. The framework strongly recommends the establishment of a Central Shariah Advisory Board (CSAB) by governments, along with delineating specific principles for such boards (IFSB & AAOIFI, 2022). When examining global examples of SG, it is observed that centralized structures, as advocated in the framework, are already prevalent with some exceptions, and their prevalence continues to grow.

Sharia governance in Türkiye has three actors at the fatwa level. The first is the PBAT Advisory Board; the second is the High Council of Religious Affairs (HCRA) of the Presidency of Religious Affairs; and the third is the private advisory boards. Private advisory boards can also be categorized as Participation Bank Advisory Committees (PBAC) and independent committees. Each actor has various roles in Sharia governance. Although the decisions/rulings of the HCRA are not binding on IFIs, they have an indirect impact as they determine citizens' attitudes toward the institutions and their products. PBACs, on the other hand, have an experience almost equal to the history of participation banking in Türkiye and contribute to Sharia governance in banks at the level of fatwa.

Türkiye's experience with advisory boards in Islamic finance started with individual efforts. The individual efforts mean that prominent fiqh scholars from across Türkiye have provided consultancy services in participation banks, spanning about 25 years, from the 1980s to 2004. Following individual efforts, advisory committees serving in participation banks were established. These committees established in participation banks provided consultancy services to the sector until the establishment of the central advisory board of the PBAT in 2018, and they continue to serve with some limitations. With the developments in the world regarding SG, Türkiye adopted the idea of establishing a central advisory board within PBAT in 2018. The Advisory Board of the PBAT prepares binding standards and decisions for the participation banking sector. It also provides a central advisory board service to other IFIs and public institutions by offering opinions upon application. Analyzing the advisory board of the PBAT, which constitutes a crucial step in the Sharia governance structure, within the framework of an academic study is essential for understanding and improving the current Sharia governance structure. The recent

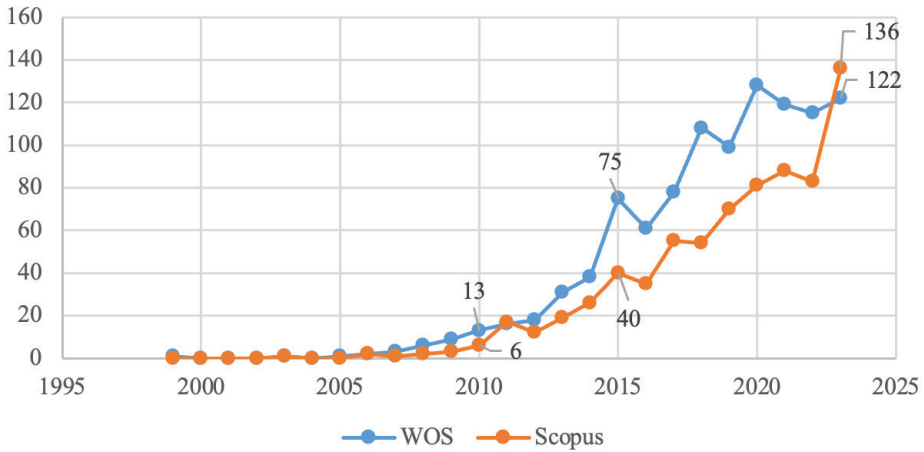
“*Participation Finance Strategy Document 2022-2025*” and the “*Participation Finance Law Proposal*” further emphasize the need for a comprehensive SG framework, including establishing inclusive boards and associations. The exact role of the PBAT Advisory Board within this new framework is yet to be clarified. However, SG in Türkiye is evolving towards a more centralized structure encompassing the entire participation finance ecosystem.

This study aims to uncover SG’s overlooked narrative in Türkiye and contribute to the limited existing literature. Although the PBAT Advisory Board is acknowledged as a central advisory body, its form underscores the difficulties of Turkish Islamic finance. This study tackles a sensitive issue of SG in Türkiye using a semi-structured interview with members, experts, and management of the PBAT Advisory Board. To our knowledge, this study represents one of the few comprehensive examinations of SG in Türkiye, distinguished by its reliance on fieldwork.

Following a literature review, this study presents the methodology used. The findings section, which constitutes the backbone of this study, consists of five main themes, namely corporate governance, services provided, the impact of the board, issues related to fatwa and SG structure, and 23 sub-themes under these themes. In the relevant sections, the data obtained within the scope of this study are subjected to a comprehensive analysis, together with the data obtained in previous studies on fiction. At this point, the data obtained from the participants through the in-depth interview method, which is the study’s primary method. Following the findings sections, the present study has the conclusion section, which includes the main results obtained in the present study and some recommendations.

## **Literature background**

SG is a critical issue that enables IFIs to incorporate their principles into their business models. Despite the significant growth of Islamic banks since the mid-1970s and their increasing presence in the global financial market, limited research has yet to be conducted on the SG of IFIs (Alnasser & Muhammed, 2012). However, the number of publications on SG has recently experienced exponential growth, especially following the introduction of standards on SG by international standard-setting bodies, such as the Islamic Financial Services Board (IFSB) and the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). This rapid increase highlights SG’s increasing significance in the Islamic finance literature, indicating a growing awareness within the sector (see Figure 1).



**Figure 1:** Number of Publications

**Source:** Authors

AAOIFI has prioritized SG by allocating approximately seven governance standards to this crucial issue. The initial governance standard underscores the requirement for IFIs to establish a Shariah Supervisory Board, ensuring compliance with Shariah principles in their operations. Additionally, it addresses the qualifications and independence criteria for board members (AAOIFI, 1997). IFSB Standard 10 offers guiding principles for SG systems within IFIs. The primary principle underscores the flexibility for each country and institution to establish its unique SG mechanism, rejecting a one-size-fits-all approach in favor of contextual relevance. Subsequent principles address establishing a Shariah Supervisory Board akin to AAOIFI, emphasizing member competence, independence, confidentiality maintenance, and consistency in Shariah decision implementation (IFSB, 2009).

The literature on SG explores its application within various contexts, including Islamic banks, regulations about Islamic finance at the national level, and other IFIs. The SG framework differs across countries and regions. In the GCC countries, a decentralized approach is commonly used, where each Islamic bank has its own independent Shariah Board without direct involvement from the Central Bank authority. However, this decentralized approach poses challenges in achieving consensus on Shariah interpretation and effectively managing conflicts of interest. In contrast, countries like Malaysia, Pakistan, and Sudan follow a centralized approach.

ch that has made advancements in issuing fatwas and conducting reviews, promoting industry-wide harmonization (Hamza, 2013). While SG practices may vary among different countries, the literature generally discusses three key aspects:

- **Theoretically-based perspective:** These studies highlight the significance of SG within Islamic banks and other IFIs, aiming to establish a theoretical framework for its implementation. Primarily, these theoretical analyses serve to distinguish Islamic corporate governance from conventional corporate governance (El-Halaby & Hussainey, 2015; Ginena, 2014; Grassa, 2013; Hamza, 2013; Safieddine, 2009; Kismawadi, 2023; Minaryanti & Mihajat, 2023; Ullah et. al., 2023; Ayub et. al., 2023)
- **Corporate governance-based perspective:** Corporate governance is a well-established field in conventional finance. Within this literature, some studies highlight the unique corporate governance practices of IFIs, and at times, emphasize how these practices impact their performance (see Ajili & Bouri, 2018; Alnasser & Muhammed, 2012; Belal et al., 2015; Bukair & Abdul Rahman, 2015; Darmadi, 2013; El-Halaby & Hussainey, 2015; Grassa, 2013, 2016; Grassa & Matoussi, 2014; Jan et al., 2021; Nawaz, 2019; Rahman & Bukair, 2013; Safieddine, 2009; Safiullah & Shamsuddin, 2018).
- **Risk-based perspective:** Risk is a central concern in conventional and Islamic finance. Some studies highlight the distinctive risk structures of IFIs and Islamic banks in this context, which often employ discourse analysis to measure and evaluate these risks while also underscoring the significance of Shariah risk (Elamer et al., 2019; El-Halaby & Hussainey, 2016; Ginena, 2014; Rethel, 2011; Safiullah & Shamsuddin, 2018, 2019; Faza' et. al., 2023; Kateb et. al., 2023; Grassa et. al., 2023).

Recently, there has been an emerging trend of studying SG in conjunction with other relevant topics, such as sustainability (Alshubiri & Al Ani, 2023; Mohamad Ariff et al., 2023; Pahlevi, 2022), fintech (Mohd Haridan et al., 2023), and the quality of SG (Ramadhan et al., 2023). This interdisciplinary approach has fostered new connections and relationships within the field of research.

### **Previous Research on SG of Türkiye**

Research on SG in Turkish IFIs is relatively scarce. Esen and Karabacak (2014) emphasize the need to establish a national central advisory board to enhance public trust in the participation banking sector and promote the growth of Islamic finance produ-

cts. Similarly, Güney (2015) highlights the significance of a central advisory board in strengthening SG. Kartal (2019) examines the 2019 communiqué on advisory committees in Türkiye, comparing it to AAOIFI standards and identifying discrepancies and potential issues. Another study compares the SG framework in different countries and discusses it from a political-economic perspective. It also provides a framework that shows how countries fit into the tripartite classification of SG frameworks, i.e., civil society, private sector, and public sector (Yılmaz & Şencal, 2022). Fatmawati et al. (2022) evaluate SG practices in Islamic banks across multiple countries, categorizing Türkiye and Saudi Arabia as *flexible* due to the absence of binding decisions regarding the central advisory board and the sector. However, these countries still operate SG systems without CSABs despite this categorization. It is worth noting that the authors of this article overlook the establishment of the PBAT Advisory Board in 2018 and the subsequent announcement of the communiqué on committees in 2019, revealing a gap in the existing literature on SG in Türkiye (Table 1).

**Table 1**

*SG Framework*

<b>Actor</b>	<b>Role</b>	<b>Position</b>
Participation Bank Association- PBAT Advisory Board	It states that it is the CSAB but only prepares binding decisions and standards for participation banks.	It is the highest Shariah advisory board in the participation banking sector.
Participation Bank Advisory Committee (PBAC)	It produces fiqh solutions for daily Shariah issues in participation banks. Their decisions must comply with the decisions and standards of the PBAT Advisory Board.	It is positioned above the SCU and below the PBAT Advisory Board.
Participation banking shariah compliance unit (SCU)	It ensures the participation bank's compliance with the PBAT Advisory Board's and PBAC's decisions.	It is positioned below the PBAC.

Participation banking auditing unit	It supervises whether participation banks act by the principles of Shariah.	It is positioned below the SCU.
Central Shariah Advisory Board (CSAB)	It prepares binding principles and standards for all IFIs. Establishing a new CSAB has recently been on the agenda in Türkiye.	It is the highest Shariah advisory board for IFIs.
Special Advisory Committees (SAC)	They are organizations that produce private fiqh. They often provide fiqh solutions to non-participation bank organizations, such as takaful.	It does not have a directly binding position within the SG system. It currently provides services to IFIs other than banks upon application. Moreover, if the SCAB is established, its decisions must comply.
High Council of Religious Affairs (HCRA)	It is the highest independent and public authority responsible for providing religious guidance to the public. Its decisions are non-binding.	It is not directly involved in the SG system, but its decisions aim to provide information to the public.

**Source:** Authors

Two case study-based investigations scrutinize pivotal stakeholders engaged in SG in Türkiye, namely the SCRA and PBAC. These studies encompass the roles of SG actors, governance issues, and policy recommendations to enhance SG in Türkiye (Bektaş and Yenice, 2022; Yenice and Bektaş, 2022). This study differs from two studies above because the present study deals with the PBAT Advisory Board as a case study while others focus on the SCRA and PBAC. Yaş and Aysan (2023) conducted a qualitative assessment of Türkiye’s new SG framework and made policy recommendations. These include improving the legal infrastructure and ensuring the autonomy of the central advisory board, increasing the number of advisory board members, specifying Shariah standards, publishing harmonized standards,

conducting certificate programs by independent and accredited institutions and enhancing organizational structure. Furthermore, the authors recommends improving legal infrastructure, ensuring the independence of the advisory board by designing it as a juridical person and ensuring the effectiveness of Shariah audit by external Shariah auditors. Another study by Yaş (2023) focuses on the legal and regulatory issues of Islamic finance in Türkiye. The recommendations address improving the legal and regulatory framework for the Participation Financial Industry (PFI), especially in Islamic finance. Yaş recommends:

- Establishing specific legislation covering all aspects of PFI to prevent imitation of conventional finance.
- Balancing regulations to promote innovation while ensuring compliance.
- Ensuring clear roles, transparency, and independence in regulatory governance.
- Harmonizing standards globally to prevent regulatory arbitrage.
- Implementing standards gradually, considering socio-economic factors.

Our study shares a common focus with Yaş and Aysan's studies and Yaş's studies, as both delve into the realm of Shariah governance in Türkiye through examination of the advisory board of the PBAT. However, while Yaş and Aysan concentrate primarily on the institutional framework and operational dynamics of the advisory board, our study distinguishes itself by adopting a broader perspective. Specifically, we extend our inquiry beyond the mere structural and procedural aspects of the advisory board to encompass a comprehensive analysis of its fatwa issuance process and its consequential implications on the financial sector, as well as its interactions with other advisory committees. Moreover, our study stands out through the breadth of its policy recommendations, which target the advisory board of the PBAT and address overarching issues about Shariah governance in Türkiye.

Another study emphasizes that establishing the institutional infrastructure for developing Türkiye's participation in the finance sector is crucial. One aspect of this is the establishment of a Participation Finance Advisory Board or Shariah Supervisory (Tekin & Tekdoğan, 2023). In addition, Bal and Umut (2023) examined AAOIFI, IFSB, and ICP-7 standards to evaluate the corporate governance of various countries and proposed recommendations for Türkiye. In this context, they urged Türkiye to implement AAOIFI and IFSB standards more actively. Similarly, Yurtseven (2023) proposed an institutional model for developing and expanding Islamic finance in Türkiye. This model emphasizes that the Istanbul Finance Center pro-



ject, the government's initiative to establish Istanbul as a financial hub, cannot be achieved without a robust institutional infrastructure.

As evident from the literature review, there is a lack of comprehensive studies on SG in Türkiye and the activities of the recently established SG actor, the PBAT Advisory Board. This study was motivated by this gap in the literature and aimed to capture the perspectives of the PBAT Advisory Board directly using a case study methodology.

## Methods

The present study employed semi-structured interview design to understand the role, significance, and functions of the PBAT Advisory Board. This design is particularly suitable for investigating the intricacies and underlying reasons associated with a specific process or phenomenon (Yin, 2003). The primary objective of this approach is to comprehensively explore and reveal detailed information about individual or multiple events, cases, or situations (Yin, 2017, p. 5). This study utilized a semi-structured interview wherein participants in this study were asked several questions. The primary research question, 'What is the role of the PBAT Advisory Board in Shariah Governance (SG) in Türkiye?' was explored through various inquiries. These included questions on the organization's activities, the fatwa procedure, relationships with other SG actors in Türkiye, the institutional structure of the board, and its membership. This study employed a semi-structured interview as a qualitative research method to explore how participants perceive the duties, responsibilities, activities, and other pertinent aspects of the Advisory Board of the PBAT within the context of SG in Türkiye.

## Data and Participants

This study employed a purposive sampling technique to select the research participants. This approach was deemed necessary as it was nearly impossible to comprehend the role and significance of the Advisory Board of the PBAT in the SG mechanism without gathering insights from board members, experts, and managers (Table 2). While this sampling technique allowed for comprehensive insights into the PBAT Advisory Board, it overlooked perspectives from other stakeholders, representing a study limitation. To mitigate this, this study reviewed relevant literature to incorporate the viewpoints of these stakeholders regarding the PBAT Advisory Board. The interviews, averaging 85 minutes each (680 minutes in all with durations ranging from a minimum of 40 to a maximum of 120 minutes), were

audio-recorded and subsequently transcribed into an 84-page text. Using Atlas Ti, a qualitative analysis program, the data were analyzed, including the transcriptions and the notes taken during the interviews. To enhance the validity of our research findings, an independent expert in Islamic economics and finance reviewed and confirmed the relevance and coherence of the main themes and sub-themes.

**Table 2**

*Participants*

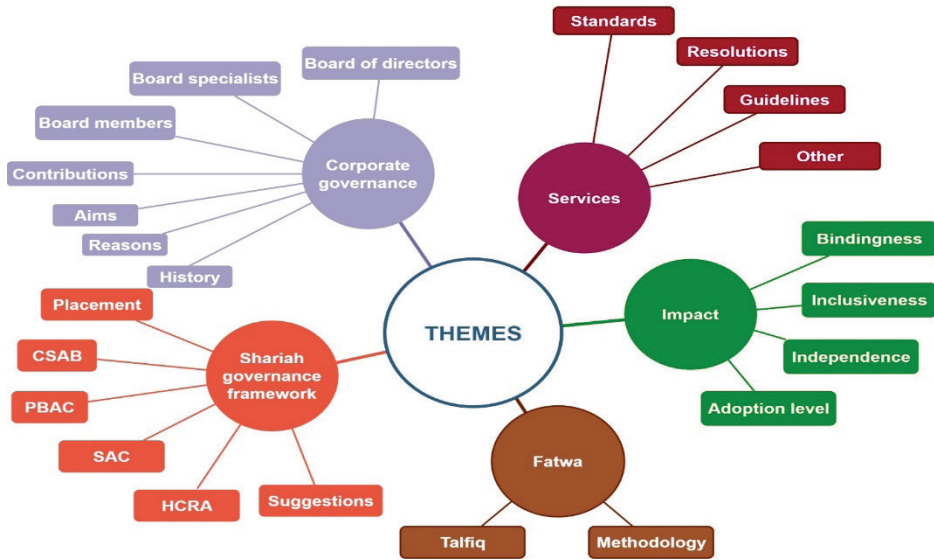
<b>Code</b>	<b>Specialization</b>	<b>Title</b>	<b>Position</b>	<b>Years of Service<sup>1</sup></b>	<b>Description</b>
<b>P1</b>	Fiqh-Islamic finance.	PhD	PBAT Advisory Board Manager	12	IF industry expert
<b>P2</b>	Fiqh	PhD (candidate)	PBAT Advisory Board Expert	4	IF expert
<b>P3</b>	Fiqh	Prof.	PBAT Advisory Board Member	8	Academician
<b>P4</b>	Banking	Senior; Executive	PBA Manager	25	IF industry expert
<b>P5</b>	Fiqh	PhD (candidate)	PBAT Advisory Board Expert	5	Former academician
<b>P6</b>	Islamic finance	PhD	PBAT Advisory Board Expert	10	IF industry expert-academician
<b>P7</b>	Fiqh	Prof.	PBAT Advisory Board Member	12	Academician
<b>P8</b>	Islamic finance	Senior Executive PhD	PBAT Advisory Board Member	37	IF industry expert

**Source:** Authors

1 Almost all board members and experts have been serving since the establishment of the board in 2018. Therefore, the participant's years of experience in Islamic finance were inquired.

## Findings

The findings obtained in this study were analyzed using a qualitative research method, categorizing them into five themes and 23 sub-themes within a framework (Figure 2).



**Figure 2:** Findings derived from themes

**Source:** Authors

### Corporate Governance

In the theme of corporate governance, this section examines the institutional governance of the PBAT Advisory Board. It covers various aspects, such as the historical background of the Board, its aims, its theoretical and practical contributions to Islamic economics and finance, the expertise and membership of the Board, as well as the role of the Board of Directors within the PBAT.

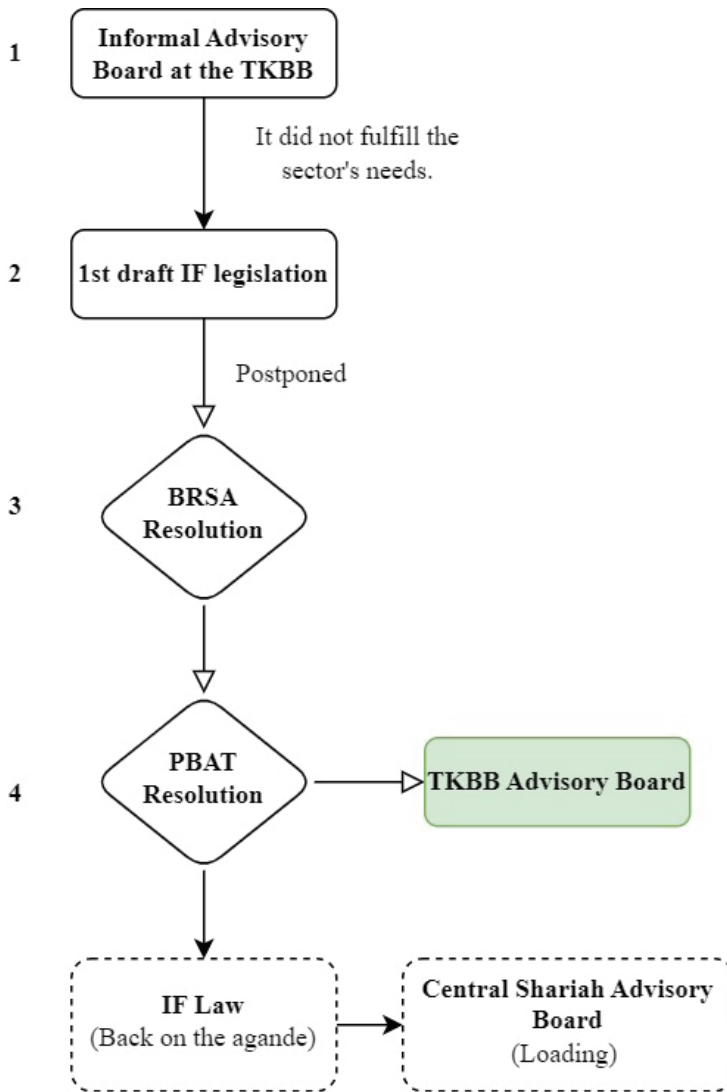
#### History of PBAT Advisory Board

It is noteworthy that establishing the PBAT Advisory Board as a central advisory body was a decision made at a relatively late stage in response to the situation where, as mentioned, “*things started to get out of control*” (P3). Around ten years ago (in the 2013s), extensive preparations were undertaken for this legislation, and the

draft law was shared with relevant institutions. At the same time, the idea of forming a central advisory board was being considered; however, the board could not be officially established due to the subsequent suspension of the law. We should note that various issues within the sector underscored the need for such a board. Consequently, the initial step was to form an informal PBAT board comprising professors who were already members of advisory committees for participation banks.

The effectiveness of this advisory board was limited as it often mirrored the decisions made in PBACs. In other words, the board failed to provide the necessary discipline within the sector. The emphasis on the independence of the Shariah Supervisory Board in the AAOIFI and IFSB standards highlights a crucial aspect (AAOIFI, 1999; IFSB, 2009). However, the lack of independence among board members from the sector has hindered their ability to fulfill their required roles.

The literature extensively discusses the necessity of a CSAB in Türkiye (Bektas & Yenice, 2022; Esen & Karabacak, 2014; Güney, 2015; Kartal, 2019; Yenice & Bektas, 2022). The consensus among participants is unanimous: there should be a central advisory board, irrespective of its position or function concerning SG in Türkiye. Initially, the plan was for the board to be formed through legislation, with different institutions appointing its members. However, after the law was put on hold, P4 stated that the idea of the PBAT Advisory Board was influenced by the pragmatic approach of the relevant minister, and it was established within the union (PBAT). As described in P6, the CSAB could not be legally established due to concerns expressed by participants who emphasized the potential unpredictability of future circumstances, stating, *'Today is a very positive sunny day for Islamic finance, but tomorrow we may be caught in a stormy storm.'* As a precautionary measure, it was established within a professional organization like the PBAT, given the possibility of its potential closure in the future. In essence, due to the political tensions in Türkiye, Islamic finance was caught between idealistic aspirations and pragmatic considerations, ultimately opting for a practical solution (See Figure 3).



**Figure 3:** Process of Establishing the CSAB

**Source:** Authors

### Reasons for Establishing the CSAB

This sub-theme delved into the rationale behind the necessity of a centralized advisory board in Türkiye. Moreover, it revealed the underlying narrative within the country, shedding light on how practices in the Islamic finance sector had strayed from the principles of SG. Factors, such as Fatwaism, lack of unified practices, un-

fair competition, and distortion of public perception regarding participation banks contribute to these issues. These related problems hastened the establishment of the PBAT Advisory Board.

### ***Fatwaism***

In a sense, fatwaism refers to the issuance of fatwas with the understanding that the problem will be resolved regardless, the needs of the institutions will be met, and the institutions' profitability will not be affected without adhering to the systematic methodology of fiqh. The literature refers to this phenomenon as *fatwa engineering* or *fatwa shopping*, where fatwas are sought with specific motivations (Faisal & Sappideen, 2019). Both issues regarding SG in Türkiye were problematic, and participants expressed reluctance to see such practices persist. The establishment of the PBAT Advisory Board aimed to address these concerns. In this regard, P7 provides meaningful insights:

*“Fatwa engineering,” yes, sadly, it is very true. Often, it is not about the strength of the evidence (and maybe the person issuing the fatwa is not even convinced themselves), but rather it is driven by the need or demand in a certain direction.” P7*

### ***Lack of Unified Practices***

The lack of unified practices referred to situations where another may not approve an activity approved by the advisory committee in one participation bank or where practices were applied differently among participation banks.

*“You know, since 2018 [PBAT Advisory Board’s establishment year], we have been witnessing a significant improvement in how things are managed. It is like a whole new level of discipline compared to the past, and I believe it is a crucial and historic step for the sector’s future. It plays a vital role in ensuring that businesses operate with legitimacy, maintaining consistency in practices, and giving employees a sense of credibility.” (P8)*

It emphasized the importance of Shariah standardization in eliminating unfair competition between these players (Grassa, 2013; Grassa & Matoussi, 2014). Three essential issues existed in the study of Islamic banking: governance, supervision, and oversight, of which governance affects other processes. It can be said that if the contracts and implementation processes behind the activities implemented by IFIs differ, this may create risks that may spread first to the relevant institution and then to the entire sector (Ginena, 2014).

### ***Unfair Competition***

This problem, stemming from discrepancies in fatwas, led to one participation bank having a competitive advantage over another. Participants considered this issue one of the reasons behind establishing the PBAT Advisory Board. In other words, as mentioned by P3, when one participation bank deemed something permissible while another did not, it results in ‘*unfair competition.*’ This statement highlighted the ongoing necessity of regulatory harmonization to promote a balanced ecosystem in the Islamic finance sector, as discussed in the literature (Kok et. al., 2022).

### ***Distortion of Public Perception***

The participants agreed that what one participation bank considers legitimate might not be viewed as such by another, and this lack of consistency in practices hurts the public’s perception of participation banking. As expressed by P7, if society perceives these banks as no different from conventional ones, it could ultimately undermine the entire system in the long term. Furthermore, such discrepancies could erode the confidence of customers and other stakeholders in the sector. In the literature, proper management of Shariah risk is highlighted as one of the factors determining the legitimacy of Islamic financial products, with authors mentioning Shariah risk as a critical determinant of the legitimacy of Sukuk (Ahmed et. al., 2019) type of structure, Shariah auditing, Shariah risk and Shariah documentation. In such a scenario, Islamic finance would deviate from its principles and become a tool for instrumentalizing fiqh, resembling a capitalist structure lacking its original essence, merely altered in appearance and name.

### **Aims**

The responsibilities of the Advisory Board are set out in five sections in the relevant regulation of the Board of Directors of the PBAT. According to these provisions, the primary duties of the Advisory Board include establishing the professional principles and standards that participation banks must adhere to, ensuring consistency in practices across participation banks, assessing the compliance of participation banks with general decisions, providing opinions on interest-free finance activities upon request, and organizing activities to promote and educate on participation banking professional principles and standards.

“*Eliminating differences in practice,*” discussed as one of the motives behind establishing the PBAT Advisory Board in the previous section, was also identified by the participants (P2, P4, and P5) as the institution’s primary objective.

P8 emphasized the crucial task of the Board, which is to establish a *comprehensive image of legitimacy*. According to P8, achieving balance in the sector relies on the efforts of this Board. P3's statement on how this balance will be attained is notable: "*by disrupting the comfort zone within participation banks*." Essentially, they are willing to challenge and confront established practices, even if it means causing discomfort. This can be seen as a fatwa methodology aimed at breaking detrimental habits and ensuring discipline within the sector.

### Contributions to IEF

It was determined that the PBAT Advisory Board made significant theoretical and practical contributions to Islamic Economics and Finance. According to the participants, the Board's contributions to the field could be summarized as providing guidance and information to the sector, organizing training activities, establishing reasoned standards, and making academic contributions.

P1 emphasized that the Advisory Board's contributions to the field primarily focused on guiding and providing valuable information. P5 highlighted that the Board played a dual role by offering the sector academic knowledge and consultancy services.

### PBAT Advisory Board Members

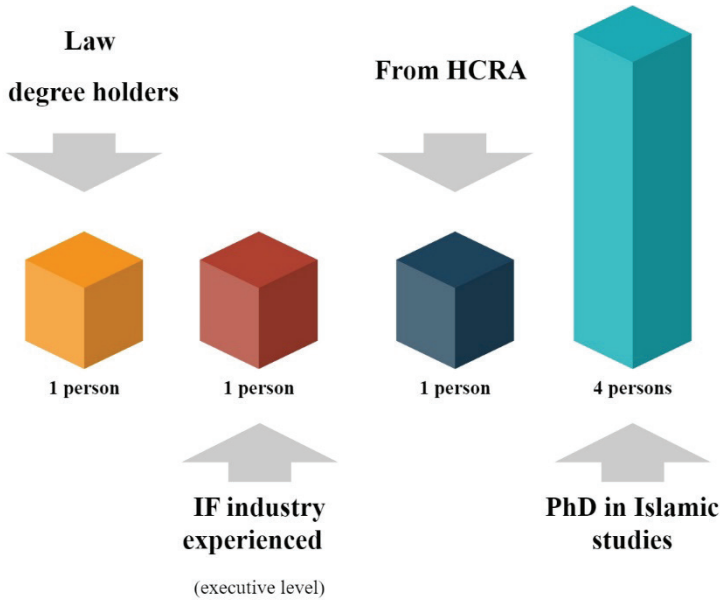
According to AAOIFI's governance standard No. 8, the composition of the members of the central advisory board should adhere to specific criteria:

- The majority of members should possess expertise in fiqh/shariah.
- In cases where the board serves multiple industry segments, such as banking or insurance, a minimum of 7 members is required.
- Expert members may include accounting, finance, law, and banking professionals.
- Additionally, the board's composition should be diverse, reflecting the diversity of Shariah interpretations within the country, and may include representatives from different denominations, if applicable (AAOIFI, 2019).

While the TKBB Advisory Board may not directly mirror the Central Advisory Board, it is a potential prototype for such a board in Türkiye. Therefore, it must bear the characteristics of the relevant standard. The PBAT Advisory Board comprises seven members who serve for five years. Figure 4 provides an overview of the



member profile, revealing six members are academics, while one is a sector senior manager. As mentioned by P6, it can be observed that the board predominantly consists of academics. The selection and appointment of board members are carried out by the PBAT Board of Directors, following the criteria outlined in Figure 4 below. Furthermore, the BDDK's approval is required to appoint Advisory Board members. Once appointed, the PBAT Board of Directors cannot dismiss a member per the contract terms.



**Figure 4:** PBAT Advisory Board Member Profile

**Source:** Authors

### PBAT Advisory Board Specialists

The Secretariat of the PBAT Advisory Board comprises a manager, two experts, and two assistant experts. The experts are crucial in assisting the board members in setting standards and making decisions. They offer support and expertise, ensuring the board has the information to make informed choices. When required, they visit IFIs to gather relevant data and insights.

## PBAT Board of Directors

As the highest governing body in participation banking, the PBAT has a Board of Directors comprised of the general managers of participation banks. Standards and decisions are officially released after the Board of Directors approves. When the participants were asked whether this arrangement hinders the Board's independence, the majority responded that it did not. However, it is essential to note that their indirect involvement in the process can be seen as an implicit intervention rather than a direct obstacle. This aligns with the findings of Ullah et al. (2016), who argue that there is an underlying conflict between the objectives of shariah bodies and bank managers. While the former prioritizes fiqh, the latter prioritizes profit, resulting in a subtle power struggle between them.

*“The management of the PBAT occasionally contacts us and suggests, “This is the decision you have made, but it would be beneficial if you reconsider it.” We can reconsider or not, and there is no issue with that. There is no harm in revisiting our decision. Sometimes we maintain the same decision, while other times we may adjust it slightly.” (P8)*

This echoes the findings of Ullah et al., who argue that an inherent conflict exists between the objectives of Shariah bodies and those of bank managers. While the former prioritizes fiqh, the latter prioritizes profit, resulting in an underlying power struggle between the two (Ullah et al., 2018).

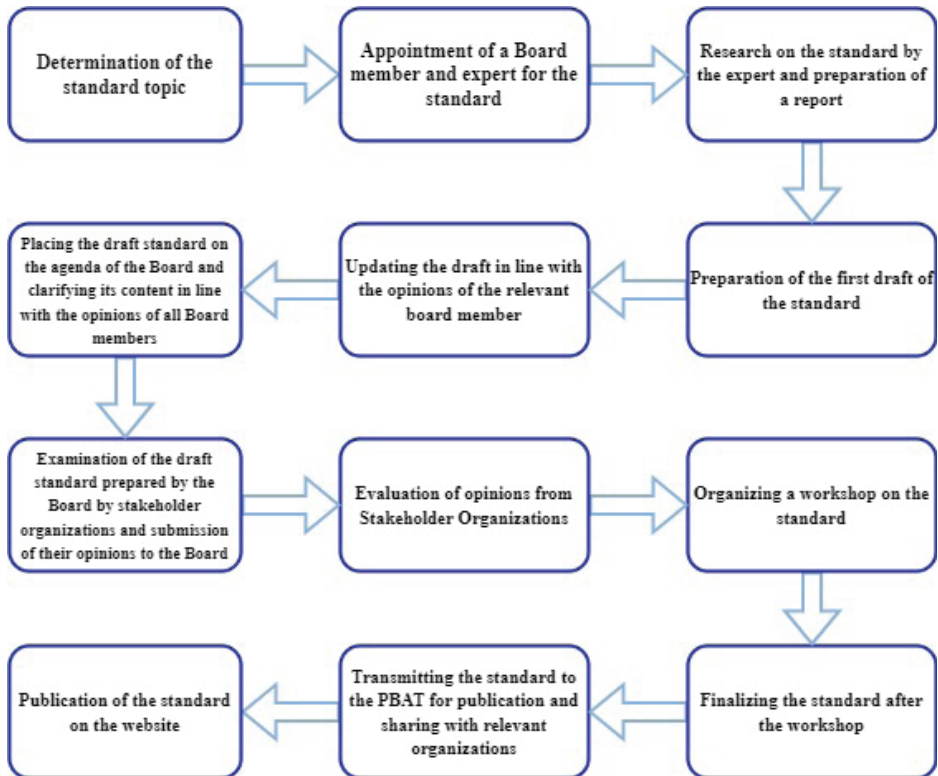
## Services

The PBAT Advisory Board conducts various services, specifically establishing standards and making decisions. The Board's services can be broadly categorized into four main areas: standards, decisions, implementation guidelines, and other related tasks.

### Standards

One of the primary and planned services undertaken by the Advisory Board is the establishment of standards. Islamic finance standards can be divided into several categories from different perspectives. The first is the scale of the standards. Standards can be at the international level or a more national level. In this respect, it is possible to see AAOIFI, IFSB, and IIFM standards as international standards, while PBAT, Dewan Syariah Nasional Majelis Ulama Indonesia (DSN-MUI), and Shari-ah Advisory Council of Bank Negara Malaysia (SACBNM) standards are national

standards. Another aspect in which we can distinguish standards is the nature of the standards. In this respect, standards can be broadly categorized as Sharia and financial. IFSB and IIFM standards are financial standards. On the other hand, AA-OIFI, PBAT, DSN-MUI, and SACBNM standards are not purely financial but Sharia standards. Considering these points, it is possible to see the PBAT standards as national Sharia in their current form. However, the fact that PBAT standards are published in three different languages, Turkish, Arabic, and English, shows that they are not entirely national. In addition, there is no obstacle to producing purely financial standards. According to the data obtained from the participants, the Board followed a comprehensive 12-stage process in preparing the standards, as shown in Figure 5.



**Figure 5:** Standard Preparing Process

**Source:** Authors

At this point, it is essential to highlight how the standards to be prepared, which constitute the first stage of the process, are determined and the influential factors during this process. P3 stated that the influence of meetings held with the sector and banks played a role in the selection of standards to be prepared. At the same time, P1 emphasized that the practices commonly used in participation banks were taken as the basis for determining the standards.

It was noted that the expert team paid initial attention to specific issues and conducted research after determining the subject of the standard. A draft study was prepared by considering relevant literature from Türkiye and worldwide, along with other international standards and previously issued fatwas, as well as practices in banks (P6). If the subject of the standard has been discussed in any of the PBACs, their opinions on the matter are also considered (P7). During the preparation of the standards, the Board, along with senior managers or general managers of the banks, occasionally convened to contribute to discussions, and the Board evaluated the standards based on the notes taken during these sessions (P4).

After conducting the relevant studies and creating the standard text, the stage of seeking stakeholder opinions, which is crucial for the standards, begins. P3 emphasized the significance placed on stakeholders' opinions, stating, "We may persuade them on certain matters, or they may persuade us on certain matters."

There were some allegations regarding the standards of the PBAT Advisory Board. One of these claims is that the standards prepared by the Board bear similarities in content to standards prepared by other organizations, such as AAOIFI. One justifiable aspect of this criticism is that the structure of the AAOIFI and PBAT standards is very similar. AAOIFI first sets out the jurisprudential rulings on the relevant subject matter and then provides the basis for these rulings. PBAT follows the same system. In terms of standard systematics, PBAT standards are very similar to AAOIFI. Participants stated that this similarity did not mean any copying as claimed. Participants acknowledged that preparing the standards involved consulting many sources or institutions and considering their perspectives. However, participants also stated that referencing other organizations' viewpoints did not undermine the originality and uniqueness of the standards.

P2 emphasized that differentiating from international standards would be like rediscovering the world from scratch. It was also acknowledged that the generally applicable aspects of the standards are utilized.

## Resolutions/Decisions

Decisions made by the Advisory Board were formulated in response to inquiries from IFIs or other organizations, particularly those that require urgent resolution. According to the statement by P4, requests for resolutions were presented to the Advisory Board as formatted questions and submitted by the PBAT. Similar to standards, decisions were prepared with justifications, and it was necessary to include annotations from dissenting members. Participants highlighted that the final decision session was restricted to members only, underscoring the Board's independent decision-making mechanism.

## Implementation Guidelines

Another service carried out by the Board involves the preparation of implementation guidelines. Only two implementation guidelines have been published so far: the "Guidelines on the Trading of Share Certificate Issues" and the "*Guidelines on Share Certificate Refinement*." Although the scarcity of implementation guides may suggest that this is a secondary area of activity for the Board, P1 stated that the Board and participation banks were currently engaged in a process of mutual harmonization.

## Other Services

While the Board primarily focuses on preparing standards, decisions, and implementation guidelines, it also engages in secondary services, such as training and cooperation. Participants expressed their support for the training and certification programs organized by the PBAT. Additionally, P4 highlighted a crucial cooperative activity undertaken by the Board.

*"Before the pandemic, we had initiated a half-day informative meeting with the mufti's offices of each province. However, due to the pandemic, we could not continue this practice. Our original intention was to travel from province to province and provide information to all Mufti's offices in this regard." (P4)*

## Impact

This section discusses the impact of the PBAT Advisory Board across the sub-themes of bindingness, inclusiveness, independence, and adoption level.

## Bindingness

Islamic finance standards are not binding for an Islamic financial institution. There are two conditions for a standard to be binding. The first is that the institution voluntarily accepts the relevant standard as binding for itself (as in the case of AAOIFI and IFSB). The second is that the place of Islamic finance standards in the legal system of the country is defined as mandatory-binding for the institutions (as in the case of PBAT and SACBNM), that is, the institutions must comply with the relevant standards to continue their activities (AlQassar & Ahmed, 2022).

The standards and decisions set by the PBAT Advisory Board are mandatory for participation banks. PBACs are not permitted to make decisions that contradict the decisions/standards of the PBAT. If these standards and decisions are breached, the PBAT Board of Directors can impose administrative sanctions. (P1) While the decisions and standards of the Advisory Board are mandatory for banks, they serve as guidelines with maximum limits. Therefore, it is within the bank's discretion to either narrow down the decision or choose not to apply it if the PBAT Advisory Board permits it.

*“The guidelines set by the advisory board provide the upper limits, but banks can adjust them based on their strategies. Take the investment proxy practice, for example. One of our banks said, “Sure, the decision is there, but I do not feel like using this investment proxy thing. It is not needed right now, so I will pass on offering that product.” (P4)*

A noteworthy point in Bektaş and Yenice's (2022) study is that some PBAC members argued that PBAT standards and decisions should not be binding and should not be prohibitive. Although such demands indicate that the idea of a centralized and binding advisory committee is not yet fully established in Türkiye, it can be stated that these demands are in the minority.

## Inclusiveness

The “IFSB-AAOIFI Revised Shariah Governance Framework for Institutions Offering Islamic Financial Services” does not include any clause stating that central advisory boards will cover only the Islamic banking field. The document considers all sectors offering Islamic financial services within the service area. The inclusiveness of the standard expressed in the document is as follows:

*“This standard applies to IIFS (including Islamic windows) in the Islamic banking, takāful (Islamic insurance), and Islamic capital market sectors. RSAs may choose*

*to apply this standard to other IIFS in their jurisdictions. The Standard adopts a principle-plus-rule approach that provides a comprehensive set of Shari'ah governance practices for implementing each principle" (IFSB & AAOIFI, 2022).*

The PBAT Advisory Board's inclusiveness is controversial, as its decisions thus far are binding only for participation banks and no other Islamic financial institutions. While this may seem contrary to the inclusiveness envisaged in the document, it is also stated that if there is more than one central board, the scope of each board should be clearly defined (IFSB & AAOIFI, 2022). Although the PBAT advisory board mainly serves Islamic banking, the fact that there is a capital market standard among the standards shows its scope is complex. P1 described this situation as follows:

*"Well, originally, the idea was for this board to oversee all institutions, but when it was set up under the PBAT, things got confusing... Does it have authority over other Islamic financial institutions? Well, that depends on their regulations. For instance, the Borsa Istanbul... So, the Borsa Istanbul can say, "I accept the decisions made by this institution as binding." (P1)*

While establishing the PBAT Advisory Board, various criticisms were raised by academics and some members of the sector's PBACs regarding the board's position and, in particular, its binding nature. In the paper by Bektaş and Yenice (2022) on the PBAC, the objections raised by members regarding the PBAT Advisory Board vividly illustrate the discussions during the establishment phase. P4 highlighted that the most significant objection raised during this phase was regarding the issue of bindingness:

*"When setting up the Advisory Board, there were objections like, "Why does it have to be binding?" People were saying things like, "It will be like another BDDK." (P4)*

However, in the end, although the PBAT Advisory Board was initially meant to be a centralized advisory board, it was not formed to encompass all IFIs.

## **Independence**

The independence of CSABs was seen as crucial for Sharia governance. The IFSB and AAOIFI SG framework (2022) also emphasized the independence of CSABs at every stage. The founding charter explicitly stated that the PBAT Advisory Board was completely independent in carrying out its responsibilities:

*“The members of the Advisory Board are fully independent in executing their duties. No authority, organization, or individual is allowed to make suggestions or requests that could influence their decisions in any way or for any reason.”*

Additionally, according to the corresponding document, if any member or personnel of the PBAT is found to have violated this provision, a disciplinary investigation will be launched, and sanctions will be imposed when deemed appropriate.

Some advisory committee members criticized that the PBAT advisory board was under the umbrella of PBAT, which would undermine its independence in the Turkish conjuncture (Bektaş & Yenice, 2022). The provision in the relevant founding charter that the decision sessions for standards/decisions are closed and only the rapporteur can participate indicates the independence of the Advisory Board in making final decisions. However, there may be questions about their independence due to the standards/decisions being issued with the signature of the Board of Directors. P3 expressed disapproval of this practice but acknowledged that there had not been any issues related to it so far. P1 maintained that the signature by the Board of Directors is merely an administrative formality and does not affect the independence of the process.

Another aspect that reinforces the independence of the PBAT Advisory Board is that the Board of Directors does not have the power to dismiss its members. As long as the members meet the required conditions, the PBAT cannot remove them (P5 and P4). However, participants expressed concerns regarding the involvement of the Board of Directors in the appointment of Advisory Board members. (P8)

P2 highlighted that a sign of the Board’s independent operation was its ability to make decisions despite opposition from the banks. On the other hand, P7 mentioned criticisms that suggested, *“You are not taking actions to make our work easier.”*

-Yaş (2023) finds that political appointments in regulatory bodies deteriorate regulatory governance and institutional performance and harm the independence of the boards.

## **Adoption level**

The level of adoption of standards and decisions is directly linked to whether standards are mandatory or voluntary. The fact that organizations or countries that adopt AAOIFI do so voluntarily constitutes a measurable field in terms of the level of adoption. For example, El-Halaby and Hussainey (2016) found that the average compliance level based on AAOIFI standards concerning the SSB was 68 percent.



However, as in the case of PBAT and SACBNM, there is no measurable field where mandatory adoption is required. At this point, only assessing based on individual experiences and the returns that participants see in the sector is possible.

The consensus among the participants is that the PBAT Advisory Board is well-received. As evidence, most respondents mentioned that stakeholder opinions are already considered before making decisions or setting standards. (P2) Allowing stakeholders adequate time for implementation contributes to the acceptance and adoption of the decisions or standards positively. (P5)

While participation banks are obligated to adhere to the decisions and standards set by the PBAT Advisory Board, it is essential to recognize that this process can be challenging for them. It involves interventions and adjustments to the comfort zones they are accustomed to, ultimately aiming to make them healthier. As mentioned by P6, staying healthy often comes at a cost.

## Fatwa

Although the PBAT Advisory Board was established to formulate standards, the primary material that ultimately constitutes the standards is very likely the fatwas issued by the Board on the relevant subject. Thus, the process followed in establishing the standards and how the jurisprudential conclusion is reached is of methodological importance. The fatwa methodology is also the subject of discussions and criticism at some points in the essential discussions about other international or national advisory boards. Some of the criticisms focus on the fact that the fatwas issued by these committees or the standards they have established some methodological problems, such as *talfiq*<sup>2</sup> or misuse of classical fiqh methods, and from this point of view, the reliability of the fatwas issued is questioned (Bektaş & Yenice, 2022; Yenice & Bektaş, 2022).

### Fatwa Methodology

Today, there are many different perspectives on how to resolve both the issues that exist in classical fiqh but need to be readdressed according to today's conditions and new issues that pose a problem regarding fiqh and the function of fiqh heritage in solving modern problems is an important question that awaits an answer. At this point, it is seen that the central phenomenon that differentiates the perspec-

2 *Talfiq* is “to establish the fatwa of an issue by utilizing elements selected from more than one madhhab” or “to bring together the views of more than one madhhab on an issue in a way that no imam of any madhhab would endorse” (Kaya, 2011).

tives is centered on the attitude towards the *usûl* and *furu'* of classical fiqh and the relationship with the scholarly tradition and fiqh heritage. Duman (2015) categorizes methodological approaches in terms of their relationship with the tradition of fiqh and the heritage of fiqh into three groups: Those that ignore the heritage of fiqh, the Traditionalist, and the Tafiqist approaches.

The overall consensus among participants indicated that the Board did not have a written, rigid fatwa method. This notion was supported by P3's statement, suggesting that the Board's fatwa method gradually formed and became established through discussions and the establishment of standards. However, participants' statements regarding the fatwa method provided a general framework for the Board regarding the procedure. One of the primary concerns raised by most participants regarding the Board's fatwa procedure was *the absence of a structure that caters to a single sect, as such structures would be insufficient in addressing the challenges faced by the sector today*. It was also noted that none of the participants adopted a single sectarian approach. P1's statements encapsulated the issue:

*"I should point out that there is no approach that says I will solve it only within the framework of the Hanafi madhhab, and there is no binding obligation to use only the Hanafi madhhab as a source. The Board evaluates all sects when deciding and concludes by ensuring consistency within itself." (P1)*

Although P7 is not biased towards any sect, it emphasizes that the Hanafi madhhab is ingrained in not only the history of this country and the experiences of the Abbasids, Seljuks, and Ottomans but also a problem-solving-oriented school of thought. It highlighted that taking this reality into account, the fixed leg of the compass rests on the Hanafi madhhab.

P7 also expressed the importance the Board attaches to *ijma* and the rigor it shows regarding the misuse of classical fiqh principles as follows:

*"For instance, we have an attitude of not violating the ijma, that is if the Ummah of Muhammad has made an ijma in the past on an issue, if they said "this is it," we would not be able to approve it by saying operational necessity and so on, if there is no legal compulsion. We have an understanding of not violating the ijma." (P7)*

P3, on the other hand, strikingly stated that he saw it within the framework of fatwa methodology *to strike a balance between theory and practice*, which he expressed as *the two scales of the balance, to break the comfort in their banks, to take the risk of hurting, and to provide philosophical integrity without entering into the understanding of let us somehow find a fatwa for every issue that comes up*.

From all these statements of the participants, the findings suggest that it is possible to express that the PBAT Advisory Board adopts a much more balanced method between the Traditionalist and Talfiqist approaches.

## Talfiq

Another criticism raised regarding fatwa methodology pertains to the issue of *talfiq*. Participants stated that while talfiq, which was believed to result in an inconsistent appearance in terms of the fatwa methodology, was carried out in a systematic framework and is occasionally used by the PBAT Advisory Board to address problems, attention should be paid to the distinction between talfiq conducted solely to find permissibility in a manner that no imam of any madhhab would deem permissible, and talfiq performed systematically with justifications.

*“The main problem lies in issuing fatwas with concerns, such as not closing the doors of banks, not reducing their profits, and so on. Otherwise, there is no issue with making decisions within a certain systematic framework.” (P3)*

Although P7 did not explicitly use the term “fatwaism,” it expressed the matter referred to by P3 as “fatwaism” as a form of “ill-intention” by stating:

*“The biggest problem in talfiq is that we have a clear target in mind; we are searching for the method or person that will lead us to that target, meaning we already have a result in mind, saying ‘this is permissible.’ However, how can I say it is permissible, by what means, and from whom? There is ill intention involved in this. (P7)*

Based on the responses provided by the participants regarding talfiq, it can be understood that the PBAT Advisory Board does not see any problem in seeking opinions from other madhhabs besides the Hanafi madhhab within a specific systematic framework and presenting their justifications. Furthermore, there is a consensus that *this has become a necessity today*. Also, Mohd Sirajuddin et. al. (2017) finds that being confined to one particular school of thought (madhhab) for international-scale operations will result in other hardships. Additionally, as expressed by P3 and P7, it is emphasized that the main issue in terms of fatwa methodology, described by P3 as “fatwaism,” was the actual problem within the boards. If this issue does not exist, matters like talfiq will not be problematic. It is also observed that other participants share similar opinions on this matter.

## SG framework

In discussions surrounding the PBAT Advisory Board, two controversial issues were addressed: the inclusion of the Advisory Board within the PBAT and its ideal structure and inclusiveness. To discuss the current state and future of SG in Türkiye, the views of stakeholders in SG, namely PBAC, HCRA, and Special Committees, as well as the proposals put forward by the participants regarding SG in Türkiye, were included (Bektaş and Yenice, 2022; Yenice and Bektaş, 2022).

### Board's Placement & Ideal Structure

In line with the SG practices in the world, Türkiye has established an advisory board within the body of the PBAT due to the conviction that a central advisory board is needed. However, the fact that this board evolved into the upper advisory board of participation banking rather than being established as the Central Advisory Board has caused criticism (Bektas & Yenice, 2022; Yenice & Bektas, 2022; Yurtseven, 2023). In addition to the experiences during the establishment process that brought the board to the PBAT, it is also essential to evaluate this situation in the eyes of the board members and experts and the advantages and disadvantages of being within the PBAT. The general opinion of the participants regarding the inclusion of the PBAT Advisory Board, which was established as a central advisory board within the union, was optimistic.

P1 emphasized the advantage of having a central board within the PBAT regarding interaction with the sector and pointed out its importance in *establishing a connection with reality*. At the same time, P3 exemplified the advantage of having the central board within the PBAT in terms of *not being directly affected by political changes*:

*“At the moment, no one can easily touch the PBAT Advisory Board, but if it were under the Presidency, what would happen after the elections would be unpredictable. In this respect, some strategic things should also be taken into account. (P3)*

In addition, P3 stated that *“if we were an independent organization, we would have been dissolved long ago”* and evaluated that it is under the body of a union as a partial protective shield against external interventions. P6 made a similar point to P3 by stating that having the Central Advisory Board under the body of the PBAT would ensure its longevity in Türkiye's political and political conjuncture. P8, by comparing with the PBAC, believed that the Board was ideally located in the middle of the sector.

P3 also stated that it was natural for an outsider to react as “What is such a Board doing in the PBAT” but that there is no need for concern in the current situation. However, he also mentioned that the current positive atmosphere was more related to the goodwill of the authorized individuals and pointed out that there was always the possibility of problems with different people in the future.

As can be seen, the participants responded positively to the location of a central advisory board in Türkiye within the structure of the PBAT; however, opinions were also received from the participants in response to the question, “Is an ideal central board location possible?” At this point, the undecided opinions of the participants regarding the ideal location of the Board are noteworthy.

While P1, P3, and P6 saw an ideal location as possible, P4 shared a similar ambivalence and mentioned that the law to be enacted in the coming period would be decisive.

P7, who evaluated the suggestions that the ideal position of the Board is the Presidency with the concern that it may become quite vulnerable to being influenced by political developments, stated the following:

*“There have been suggestions to place it under the Presidency. However, this would require considering other factors as well. Being directly influenced by political developments poses a significant risk. Therefore, it is crucial to weigh the benefits and risks involved. In the event of potential political changes in the future, concerns may arise regarding whether there would be political interference in the decision-making processes of the central board.” (P7)*

### **Inclusiveness of the Central Board**

AAOIFI Standard No. 8 and IFSB Standard No. 10 provide several recommendations for the Central Advisory Board. One of them is that this board should have a function to ensure harmony in the sector. To achieve this, the board should be inclusive; that is, it should have a function that can serve the entire sector (AAOIFI, 1997; IFSB, 2009).

Along with the discussions on the position of the Advisory Board, another issue of debate was the inclusiveness of the Board. The participants’ opinions were taken on the criticisms and suggestions that the PBAT Advisory Board, as a central board, should have a structure to serve the entire participation finance sector (Bektaş & Yenice, 2022).

P3 stated that it was not designed as a more inclusive board because other stakeholders in the sector, such as insurance and stock exchanges, wanted to exclude themselves during the establishment process.

All participants, except for P8, were concerned about its inclusiveness and the idea that it should not be inclusive of the entire Islamic finance sector. P2 expressed the concern that a more inclusive structure of the Board might lead to a lack of understanding of each sector and reduce its energy. At the same time, P7 had similar concerns with P2 and clearly expressed that instead of an inclusive board serving the entire ecosystem, the current separate structure serving only the participation banking sector should continue. Only P8 supported the idea that there should be a more inclusive board and stated that it should be based on a broader range of issues.

## PBAC

With the idea of establishing a centralized board, there was some debate about the function and existence of PBACs, and different views emerged. The findings on the status of PBACs from the participants' perspective are discussed in this sub-section.

P4 stated that while the idea of a central board was being implemented, it was decided that PBACs were healthier and necessary in terms of functioning. It was decided to continue the in-bank committees. P5 sees both structured as complementary to each other, and P6, with similar thoughts, thought that PBACs had essential functions and that there was a severe need for them in terms of functioning.

Although it was seen that the participants agreed on the need for PBACs, some participants also expressed critical views. Bektaş and Yenice (2022), in their study on the PBAC, included the participants' criticisms of the PBAT Advisory Board as "they are not in the kitchen" or "it is challenging for them to know the practice as much as we do." In this context, P3 made a similar counter-criticism against the PBACs, stating that they did not have the opportunity to discuss issues at length and that they could not master the details as much as they did.

Rather than a general criticism of the PBACs, P8 only pointed out that some flexible-minded fiqh experts were working in these committees, disrupting *the balance in the sector*, and that a solution should be found for this.

## Special Advisory Committees

Participants generally expressed a positive view toward special advisory committees, except P3. It was acknowledged that these committees emerged in response to specific needs and could contribute to the understanding and implementing standards. However, P3 held a contrasting opinion, considering such committees to be entirely detrimental as they may lead to excessive issuance of fatwas. P3 emphasized that these committees should not exist in the market and even raised concerns about certain committee members working in PBACs.

*“There should only be committees within the banks, as it is impossible for any committee outside the banks, including private committees, to compete in issuing fatwas. Whoever issues the fatwa should be the one to complete the task, so I believe such institutions should not exist in the market or Türkiye.”*

## High Council of Religious Affairs of Türkiye

The HCRA represents another pillar of the SG framework in Türkiye, but the HCRA was not seen as part of the SG framework by P1. Except for P1, the other seven participants did not comment on the absence of the HCRA within SG. They expressed their wishes for the possible contributions the HCRA could make to the field and for increased cooperation. All participants emphasized the significance of collaboration by stating that the communication between the Board and the HCRA should be strengthened. In the theme related to the activities of the Board, P4 mentioned an activity carried out by the Board for muftis. This is a clear indication of the mutual importance of a communication channel.

## Policy Recommendations regarding SG in Türkiye

Following the participants' views on SG and stakeholders, policy recommendations for an ideal SG mechanism in Türkiye were received (See Table 3).

**Table 3**

*Policy Recommendations Regarding SG*

Participant	Policy Recommendation
P1	The advisory board should function more like the Supreme Court of Appeals Board, as a jurisprudence consolidation board or mechanism.
P3	The Advisory Board and advisory committees should train experts in this field, just like the Presidency of Religious Affairs of Türkiye. They should train people at the level of professors.
P3	The Advisory Board of the PBAT should not be sacrificed to the “I will do it, you will do it” debates in Türkiye:  <i>“The “I will do it, you will do it” debates among institutions in Türkiye is already one of the fundamental problems of the Turkish nation. It would be a pity if this committee falls victim to this problem. There is already a general lack of coordination in Türkiye. We do not want to be a victim of this. We are trying to fulfill the task given to us.”</i>
P3	Much more radical regulations should be made not only at the legislative level but also at the legal level.
P3	The Advisory Board of the PBAT should be like an academic center and meet the shortage of qualified people.
P4	The force of law must back the sharia governance structure in Türkiye:  <i>“The force of law does not back the established Sharia governance structure. Suppose we can transform it into a structure that we can implement with the force of law, which is very close after that transformation. In that case, this will have turned into a Sharia governance structure that the world will consider in benchmarks and will not see as deficient.”</i>
P6	The structure should be put in place step by step without breaking it, rather than revolutionary radical changes.
P6	External audit pillar should be provided.
P6	When making plans, it should not be overlooked that there may not be a favorable climate for Islamic finance, and steps should be taken on a firm footing.
P7	The Advisory Board of the PBAT should not be more inclusive.

Source: Authors



Finally, P5 highlighted that the SG framework in Türkiye was relatively young and should be given time to develop and mature. P5 emphasized that the current structure was fulfilling the needs adequately and cautioned against premature evaluations without fully witnessing the benefits of the existing framework.

## Conclusion and Policy Implications

As the most crucial and pioneering stakeholder of SG in Türkiye, the PBAT Advisory Board is a summary of the efforts to strike a balance between the ideal and reality of Islamic finance in Türkiye, regarding pre-establishment experiences, discussions during the establishment phase, and the positive and negative feedback it has received since its establishment.

In the context of the institutional structure of the PBAT Advisory Board, the most striking and triggering issue related to the establishment process is, in the words of P3, that *things got out of control*. The participants identified the indicators of the loss of control as fatwaism, lack of unity of practice, the disadvantages of unfair competition, and the deteriorating public perception of Islamic finance due to all these.

The main field of activity of the PBAT Advisory Board is undoubtedly standards and resolutions. The meticulous process followed in preparing standards and resolutions is one of the Board's strengths in the participants' eyes. The significance of stakeholder opinions in preparing standards and decisions is especially noteworthy.

The last of the main themes that are critical for our study is the evaluation of Türkiye's current situation regarding SG and the expectations and suggestions of the participants for the future. According to most participants, the fact that the Board is under the umbrella of the PBAT is favorable under the current conditions in Türkiye. One of the essential advantages of having the Board under the PBAT is that it will be partially more distant from the direct effects of political changes. In addition, it is also stated that it is advantageous to see and reach the problems and needs of the sector directly. Other bank committees, special committees, and the High Council of Religious Affairs within the SG structure in Türkiye are seen as positive. At this point, it was stated that the most significant deficiency that needs to be overcome is the cooperation and coordination between stakeholders.

In conclusion, Türkiye's experience regarding SG is improving daily. Türkiye's past fiqh experience and its path in Islamic finance have finally brought Türkiye to

the point where a central authority should exist. In this direction, necessary steps have been taken, and many gains have been achieved. Although the establishment of a central advisory board in Türkiye has been reduced to the PBAT due to its unique conditions and has been criticized at this point, it has been working since 2018. At this point, with the experience of the first central board, one of the most important contributions of the PBAT Advisory Board, rather than the standards it has issued, is the acceptance of a centralized structure to the sector and at least the theoretical infrastructure of the entire Islamic finance ecosystem. Recent developments regarding Shari'ah governance show that the idea of a higher centralized board has become dominant. Here, the concerns expressed by the participants that the gains achieved will be lost in the shadow of “you will do it, I will do it” discussions are significant in our opinion. Wherever the central board is located and in whatever capacity it continues, its duties, previous achievements, and experiences should not be ignored.

### ***Policy Implications***

With these opinions, the authors' policy recommendations on SG in Türkiye are as follows:

- Even if the CSAB is established as an independent board, the members, standards, and decisions of the PBAT Advisory Board should be preserved.
- The relationship and coordination between the actors of SG should be strengthened.
- The role and mandate of each actor should be clearly defined and publicized in the SG framework.
- Short-term, medium-term, and long-term SG policies should be developed and shared with stakeholders in the Islamic finance ecosystem.

### ***Limitations and Further Research***

Despite the authors' efforts to provide a comprehensive and engaging examination of the PBAT Advisory Board as an actor of SG, the present study has several research limitations. First, although there is extensive literature on SG, there is a lack of research specifically focusing on the PBAT Advisory Board. Second, this study only interviewed members of the PBAT Advisory Board and did not include other stakeholders, such as customers, other actors, and regulators, in the discussion of the SG framework, which limits the breadth of perspectives considered. We recommend that further studies address this gap by interviewing all relevant stakehol-

ders to gain a more comprehensive understanding of the SG framework in Türkiye. This is an influential agenda for the Islamic finance sector, regulators, and clients in Türkiye to establish a robust and inclusive SG framework.

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