

Governance And Risk Management Of Financing In Islamic Banking Based On Textbooks, Academic Literature, And Publications Of Islamic Banks: Systematic Literature Review

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Abstract

This study examines governance and financing risk management in Islamic banking using a Systematic Literature Review (SLR) approach. The study synthesizes 40 relevant articles sourced from academic literature, textbooks, and Islamic bank publications to map theoretical developments and finding trends. The findings indicate that corporate governance and Sharia governance mechanisms, particularly through the role of the Shariah Supervisory Board (SSB) and Internal Sharia Review (ISR), serve as complementary elements in mitigating financing risk. Furthermore, governance plays a strategic role in ensuring operational compliance and asset stability. However, several studies report mixed results, indicating that the effectiveness of governance organs in reducing non-performing financing depends heavily on board competence quality, risk types, and institutional environment differences. Therefore, future research should develop integrated models positioning Sharia governance as a moderating or mediating variable, particularly through comparative studies in the ASEAN region to achieve optimal operational outcomes.

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IJEVSS, Volume 05 Issue 04, 2026



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Keywords: Sharia Governance, Corporate Governance, Financing Risk Management, Islamic Banking, Systematic Literature Review.

INTRODUCTION

Islamic banking is part of the financial system that carries out intermediation activities based on sharia principles, so that the sustainability of its operations is not only determined by the achievement of financial performance, but also by the bank's ability to maintain compliance with sharia principles and manage various risks arising from business activities. These characteristics distinguish Islamic banking from conventional banking because the activities of collecting and distributing funds must consider aspects of contracts, halal transactions, fairness, transparency, and compliance with sharia regulations. In this context, sharia governance is one of the important elements to ensure that bank activities run in accordance with sharia principles while supporting the achievement of organizational goals. Zuhroh (2022) shows that the study of Islamic bank governance has developed in various themes, including aspects of supervision, governance, compliance, and risk management. These developments show that governance cannot be separated from discussions about the sustainability and stability of Islamic banking.

One of the main risks inherent in Islamic banking intermediation activities is financing risk. Financing risk arises when the customer is unable to fulfill obligations in accordance with the agreed contract so that it can affect the quality of assets and the bank's performance. In contrast to investment activities or non-financing transactions, financing distribution is directly related to the bank's ability to assess customer eligibility, determine the structure of the contract, conduct monitoring, and take action when payment problems occur. Therefore, financing risk management requires a comprehensive process starting from identification, measurement, monitoring, to risk mitigation. Safiullah and Shamsuddin (2018) show that the risk characteristics of Islamic banks have certain differences from conventional banks and that the governance structure, including the existence of a Shariah Supervisory Board (SSB), is one of the relevant aspects in understanding the risk profile of Islamic banks.

Financing risk is also closely related to the quality of governance because financing decisions are not only concerned with financial aspects, but also with compliance with sharia provisions and internal supervisory mechanisms. Effective governance is needed to ensure that the financing process is carried out based on adequate procedures, decisions are not only oriented towards financing growth, and there is a supervisory mechanism for potential irregularities. In Islamic banking, this function becomes more complex because banks must ensure that products,



contracts, financing processes, and transaction execution remain in accordance with sharia principles. Haron et al. (2022) explained that SSB has an important position in the Shariah governance structure because it plays a role in ensuring the conformity of bank activities and products with sharia principles. Thus, the effectiveness of governance can be seen as part of a control mechanism that supports risk management in Islamic banking activities.

In the structure of Islamic banking governance, the Shariah Supervisory Board has a strategic function because it plays a role in supervising sharia compliance. However, the effectiveness of governance does not only depend on the formal existence of SSBs, but also on competence, independence, intensity of supervision, and support of internal control mechanisms. Wasim and Zafar (2024), through a systematic literature review of 93 articles sourced from Scopus and Web of Science, found that research on Shariah governance covers several main themes, including the measurement of sharia governance, disclosure, governance determinants, its impact on performance, as well as its relationship with risk management and various outcomes of Islamic banks. The findings suggest that Shariah governance studies have developed extensively, but the relationship between governance and specific risks still needs to be deepened.

In addition to SSB, the Internal Sharia Review (ISR) mechanism is also an important part in supporting the effectiveness of sharia supervision. ISR can help ensure that the bank's processes and activities remain in accordance with sharia principles and applicable regulations. Minaryanti et al. (2026) through a systematic literature review specifically show that the implementation of Shariah governance through SSB and ISR has relevance to efforts to minimize financing risks. However, the study also shows that empirical studies on the role of SSB and ISR in reducing financing risk are still relatively limited. This condition shows that there is a research space to integrate discussions on sharia governance and financing risk management in a more comprehensive study framework.

Financing risk management in Islamic banking basically aims not only to suppress the possibility of non-performing financing, but also to maintain the stability and sustainability of bank operations. Risk management practices include the ability of banks to identify risk sources, assess customer capabilities, determine mitigation steps, and conduct continuous monitoring. In the context of Islamic banking, this process needs to be carried out while still paying attention to the characteristics of the contract and sharia principles. Abdiriva and Yaya (2025) through a systematic literature review of 49 Scopus articles for the period 2008–2023 show that risk management practices in Islamic banking are related to regulations, bank management, risk perception, and institutional stability and performance. This shows that risk management is an integral part of



Islamic banking management.

Although research on Islamic banking governance and risk management has developed, the available literature still shows fragmentation of discussions. Some studies focus on Shariah governance, others discuss the characteristics of bank risks, while other studies examine financing risks through indicators such as Non-Performing Financing (NPF). Zuhroh (2022) in mapping 696 articles on Islamic bank governance shows that Islamic bank governance research has developed in various themes and fields of study. Meanwhile, Wasim and Zafar (2024) identify that Shariah governance studies have also evolved towards risk management issues. This difference in focus shows the need for a synthesis of literature that specifically links governance with financing risk management so that it can be understood how the two aspects are understood and developed in previous research.

The need for such synthesis is increasingly relevant because Islamic banking governance is not only related to formal compliance, but also to how supervisory mechanisms can influence decision-making processes and risk control. Safiullah et al. (2024), for example, show that the characteristics of board of directors are related to the governance of Islamic boards in Islamic banks. The study used data from 54 Islamic banks from 10 countries during the period 2003–2019 and shows the importance of the relationship between the general governance structure of banks and Islamic governance. The findings reinforce the view that Islamic banking governance is a system that involves more than one organ and requires coordination between supervisory mechanisms.

Thus, the study of governance and financing risk management needs to be placed in a broader perspective. Good governance is not only seen from the existence of supervisory bodies, but also from how these mechanisms are applied in the process of identifying, supervising, and mitigating financing risks. Abdullah et al. (2022) through a systematic review of 40 studies on Shariah governance grouped the literature into several themes, namely Shariah audit, Shariah risk, Shariah supervisory, and Shariah Board. These results show that sharia governance has interrelated dimensions and cannot be understood through just one supervision mechanism.

Based on these conditions, a study is needed that is able to integrate perspectives from textbooks, academic literature, and Islamic bank publications to gain a more comprehensive understanding of governance and risk management of financing. Textbooks provide a conceptual foundation on the principles of governance and risk management, while academic literature provides empirical evidence and theoretical developments that have been tested by previous research. On the other hand, Islamic bank publications can provide an overview of how these



principles are applied in practice. The combination of these three sources is expected to produce a synthesis that not only explains concepts, but also identifies gaps between Islamic banking concepts, research results, and practices.

The Systematic Literature Review (SLR) approach is used because it allows research to be carried out through the process of searching, selecting, evaluating, and synthesizing literature in a systematic manner. This approach can also help identify research patterns, dominant themes, consistent and different findings, and areas that still need further research. Wasim and Zafar (2024) show that SLR can be used to systematically map the development of Shariah governance research based on the theme and development of the study. Similarly, Abdiriva and Yaya (2025) use SLR to identify research developments regarding risk management practices in Islamic banking institutions. Therefore, SLR is a relevant approach to bring together various perspectives on governance and financing risks in Islamic banking.

Based on this description, this study aims to conduct a Systematic Literature Review on the governance and management of financing risks in Islamic banking based on textbooks, academic literature, and publications of Islamic banks. In particular, this study is directed to identify governance concepts and mechanisms related to financing risk management, identify the forms of risk and mitigation strategies discussed in the literature, analyze the role of SSB, ISR, management, and other control mechanisms, and find research gaps that can be the basis for future research agendas. Thus, this research is expected to provide an academic contribution in the form of a synthesis of literature development while providing a practical understanding of the importance of integrating governance and risk management in supporting the sustainability of Islamic banking.

LITERATURE REVIEW

Sharia Banking

Islamic banking is a financial institution that carries out an intermediation function based on sharia principles. In carrying out its business activities, Islamic banks are not only oriented towards achieving profits, but also must ensure that every activity carried out is in accordance with sharia provisions. This is one of the characteristics that distinguishes Islamic banking from conventional banking. Principles such as the prohibition of usury, gharar, and maysir are the basis for the implementation of business activities, including in product development and financing distribution. Therefore, the management of Islamic banks requires a governance and risk management system that is able to pay attention to business interests while maintaining



compliance with sharia principles (Haikal et al., 2024).

One of the main activities of Islamic banking is to distribute funds to the public in the form of financing. The financing can use various contracts, such as murabahah, mudharabah, musyarakah, and ijarah. Each contract has different characteristics and potential risks so that the management process cannot be carried out with the same approach. Banks need to consider the customer's capabilities, contract characteristics, business conditions, and the possibility of problematic financing. Hassan et al. (2024) show that credit or financing risk is one of the themes that are widely discussed in the Islamic banking literature, in addition to bank stability, liquidity risk, risk-taking behavior, and risk of non-compliance with sharia principles.

These different financing characteristics make the bank's ability to manage risk important. It is not enough for banks to only conduct assessments when financing is provided, but also need to monitor during financing. Thus, financing management in Islamic banks includes a series of processes ranging from assessing customer eligibility, determining contracts and financing structures, monitoring, to mitigation actions if indications of problems arise. A comprehensive approach is needed because the quality of financing can ultimately affect the stability and performance of Islamic banks (Hassan et al., 2024).

Governance in Sharia Banking

Governance in Islamic banking is basically related to how banks are directed, managed, and supervised so that their operational activities can run responsibly. In the context of Islamic banks, the concept of governance becomes more complex because banks are not only required to apply the principles of transparency, accountability, responsibility, independence, and fairness, but also must ensure that all their activities are in accordance with sharia principles. Therefore, Shariah governance is an integral part of Islamic banking governance (Wasim & Zafar, 2024).

Shariah governance can be understood as a system used to ensure that a bank's activities, products, and transactions remain within the corridor of sharia principles. The system does not depend solely on one party, but involves a number of supervisory mechanisms, such as the Shariah Supervisory Board (SSB), Shariah review, and sharia audit. Each mechanism has a different function, but ultimately has the same goal, which is to maintain sharia compliance in the bank's operational activities. Abdullah et al. (2022) show that research on Shariah governance is developing in several themes, including Shariah audit, Shariah risk, Shariah supervision, and Shariah Board.



The implementation of effective governance is also not only determined by the existence of formal supervisory organs. Competence, independence, experience, board size, and level of involvement in the supervisory process are aspects that can affect the effectiveness of governance. In other words, the existence of SSB alone does not necessarily describe the quality of a bank's sharia governance. Safiullah et al. (2024) show that there is a relationship between the characteristics of the board of directors and the characteristics of the governance of the sharia board in Islamic banks. These findings show that sharia governance needs to be seen as part of the overall bank governance system.

Shariah Supervisory Board

The Shariah Supervisory Board is one of the important parts of the Islamic banking governance structure. The existence of SSB is related to the bank's need to ensure that the products and activities carried out remain in accordance with sharia principles. In financing activities, this function is important because every transaction must be based on an appropriate contract and carried out as stipulated in accordance with the provisions that have been set. Thus, SSB has a role in maintaining the sharia compliance aspect in bank activities (Wasim & Zafar, 2024).

The role of SSB in financing can not only be seen from the approval process of a product or contract, but also from the supervision of its application in practice. Adequate supervision can help banks identify possible inconsistencies between sharia provisions and the implementation of transactions. In this context, SSB is one part of the supervisory mechanism that can support financing risk management. Minaryanti et al. (2026) show that sharia governance through SSB is related to efforts to minimize financing risks, although empirical research on this relationship still needs to be developed.

This shows that the effectiveness of SSB is not enough to be seen from its existence in the bank's organizational structure. The quality of supervision is also influenced by the ability of SSB members to understand sharia principles as well as the characteristics of banking activities. The better the understanding and involvement of SSB in carrying out the supervisory function, the greater the chance of the mechanism to contribute to compliance and risk control. However, the relationship still needs to be seen based on empirical evidence because the results of previous research do not always show the same pattern (Minaryanti et al., 2026)



Internal Sharia Review

In addition to SSB, Internal Sharia Review (ISR) is one of the mechanisms that can support the implementation of sharia governance. If SSB carries out more supervisory functions at the governance level, ISR can help ensure that the activities that have been carried out by banks are truly in accordance with sharia principles and provisions. With this function, the supervisory process does not stop at the planning or approval stage, but also includes audits of the implementation of bank activities.

In financing activities, the ISR function can help identify whether transactions have been carried out in accordance with the established contracts and procedures. This is important because potential problems not only arise due to the customer's inability to fulfill their obligations, but can also be related to the financing process and implementation. Minaryanti et al. (2026) show that the existence of ISR can support the implementation of SSB functions and has the potential to help banks in controlling financing risks.

However, research on ISR is still not as much as research on SSB. This condition shows that there is room to develop studies on how the competence, independence, and quality of Shariah review functions can be related to financing risk management. Minaryanti et al. (2026) also emphasized the importance of further research on the characteristics of SSB and ISR teams in relation to financing risks in Islamic banks.

Sharia Banking Risk Management

Risk management is an important part of banking activities because every bank activity has the potential to pose risks. In general, risk management is carried out through the process of identifying, measuring, monitoring, and controlling risks. In Islamic banks, this process has its own characteristics because in addition to facing risks that commonly occur in the banking industry, banks also face risks related to the characteristics of Islamic transactions. Therefore, risk management in Islamic banks needs to pay attention to financial aspects as well as aspects of sharia compliance (Hassan et al., 2024).

The risks faced by Islamic banks are quite diverse, ranging from financing risk, liquidity risk, operational risk, to the risk of sharia non-compliance. Each risk has a different source and control mechanism. Hassan et al. (2024) show that the literature on Islamic banking risks discusses credit risk, bank stability and resilience, risk-taking behavior, liquidity risk, and risk of sharia non-compliance. This diversity shows that risk management in Islamic banks needs to be carried out comprehensively and not only focus on one type of risk.



Research on Islamic banking risk management also continues to develop along with the increasing complexity of banking activities. Abdiriva and Yaya (2025), through a systematic literature review of Scopus-indexed research, identified that the study of Islamic banking risk management has a lot to do with regulation, bank management, and risk perception. This shows that risk management is not only a technical issue, but also related to policies, organizational structures, and how risks are understood by parties involved in banking activities.

Financing Risks in Sharia Banking

Financing risk arises when customers are unable to fulfill their obligations in accordance with the agreement in the financing contract. This risk is an important concern because financing is one of the main activities of banks in distributing funds to the public. When financing experiences problems, banks can face various consequences, ranging from disruptions in revenue flows, increased reserve needs, to decreased asset quality. Hassan et al. (2024) place credit risk as one of the main themes in research on Islamic banking risk.

Financing risk management has actually started before the financing is granted. Banks need to analyze the conditions and capabilities of potential customers, assess the feasibility of the business, determine the financing structure, and ensure the suitability of the contract. After the financing is provided, the process is continued through periodic monitoring and evaluation. With this approach, banks have the opportunity to detect potential problems early and determine appropriate mitigation measures (Minaryanti et al., 2026).

Financing risks also cannot be separated from economic conditions and customer characteristics. Changes in business conditions, ability to pay, and external conditions can affect the quality of financing. Therefore, banks need to have a supervisory system that is able to adapt to these changes. Financing risk management ultimately aims to reduce non-performing financing, but also to keep financing distribution activities healthy and sustainable.

Financing Governance and Risk Management Relationship

Governance and financing risk management are interrelated because governance determines how authority, supervision, and responsibility in decision-making are exercised. In the financing process, adequate governance is needed so that decisions are not only oriented towards increasing the amount of financing, but also consider the risks that may arise. In Islamic banks, these considerations become broader because financing decisions must also pay attention to the conformity of sharia contracts and principles (Wasim & Zafar, 2024).



This relationship can be seen through the roles of various organs and supervisory mechanisms contained in Islamic banks. Management is responsible for the management of bank activities and risks, SSB performs sharia supervision functions, while Shariah review, audit, and internal control functions help ensure that established policies are actually implemented. When these mechanisms can run in a coordinated manner, the process of supervision of financing becomes more comprehensive. Minaryanti et al. (2026) show that SSB and ISR can be part of a governance mechanism that supports financing risk control.

However, the relationship between governance and financing risk cannot be understood solely based on the existence of an organizational structure. Its effectiveness depends heavily on how each mechanism carries out its supervisory function in practice. Therefore, the results of research on the relationship between governance and financing risk need to be systematically compared to find out whether there is a consistent pattern of findings or whether there are differences in results between studies. This perspective is one of the important reasons for conducting a Systematic Literature Review in this study.

METHOD

Conceptual Synthesis

Based on the various concepts that have been discussed, governance and financing risk management in Islamic banking can be seen as two complementary aspects. Governance provides a framework for who is responsible, how decisions are made, and how bank activities are supervised. Meanwhile, risk management provides a process used to identify, assess, monitor, and control risks arising from bank activities. In Islamic banking, both aspects are strengthened by sharia compliance mechanisms through SSB, Shariah review, and other supervisory functions (Abdullah et al., 2022; Wasim & Zafar, 2024).

In simple terms, such conceptual relationships can be described as follows:





The framework is then used as a basis for synthesizing the articles that are the object of research. The literature reviewed will be grouped based on several main themes, namely Islamic banking governance, Shariah governance, the role of SSB, Internal Sharia Review, risk management, financing risk, and mitigation strategies. The grouping is expected to provide a clearer picture of research developments while showing parts that are still not widely discussed in the literature.

Thus, this literature review not only serves to explain the basic concepts, but also serves as a basis for reading the results of previous research. Through this approach, the research can see how the concepts of governance and financing risk management are applied in various Islamic banking contexts, whether the findings of previous research show the same tendency, and what aspects still require further research. It is important that the results of the Systematic Literature Review do not stop at the research summary, but produce a synthesis that can explain the development and direction of research on governance and financing risk management in Islamic banking.

DISCUSSION

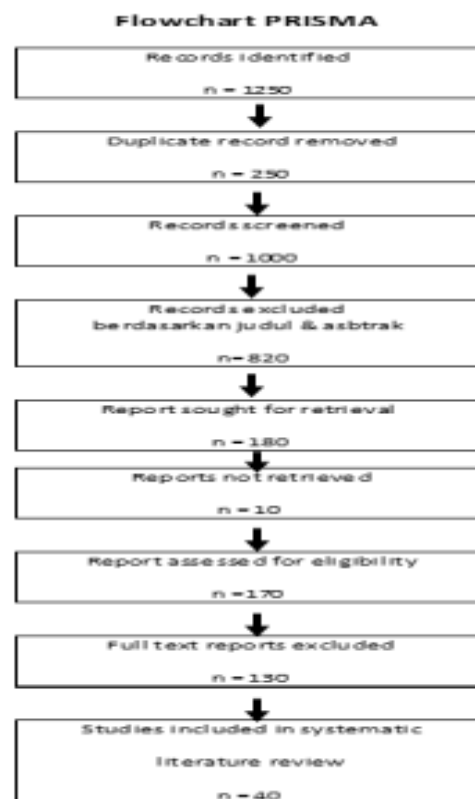
Literature Overview

In general, the literature shows that research on Islamic banking governance and risk management has evolved from a discussion of corporate governance in general to an integration between corporate governance, Sharia governance, risk governance, and financing risk. A total of 22 articles (55%) explicitly place corporate governance as one of the main focuses, while 18



articles (45%) discuss Sharia governance or Sharia Supervisory Board. This shows that conventional governance mechanisms and sharia supervisory mechanisms are increasingly seen as complementary parts.

On the risk side, 18 articles (45%) directly discussed financing risk or credit risk. These findings are relevant to the characteristics of Islamic banking because financing is the main activity of banks as well as one of the sources of risk that needs to be controlled. Cross-border studies are also more common than studies that only focus on Indonesia. Of the 40 articles, 23 articles (57.5%) used cross-border samples, while **17** articles (42.5%) focused on Indonesia. This condition shows the increasing attention to the differences in governance and risk management between institutional environments. For example, the research of Umar, Abduh and Besar used 43 Islamic banks from 15 countries and developed a corporate governance quality index that includes boards of directors, risk management committees, audit committees and SSB.



Distribution Theory

Table 1. Theory/Perspective Distribution

No.	Theory/Perspective	Number of Articles	Percentage
1	Agency Theory	18	45%
2	Sharia Governance/Islamic Governance Perspective	9	22,5%
3	Stakeholder Theory	4	10%
4	Financial Intermediation Theory	3	7,5%
5	Resource Dependence Theory	2	5%
6	Institutional Theory	2	5%
7	Stewardship Theory	1	2,5%
8	Other/non-explicit perspectives	1	2,5%
	Total	40	100%

Agency Theory is the most dominant perspective with 18 articles (45%). This dominance can be explained because most of the research examines the relationship between governance structure, monitoring mechanisms, management behavior and risk taking. In the context of Islamic banking, Agency Theory then develops into a more complex discussion because there is SSB as an additional supervisory mechanism. Therefore, Sharia Governance Perspective appears in 9 articles (22.5%).

The research of Jallali and Zoghلامي (2022), for example, explicitly uses Agency Theory and Financial Intermediation Theory to explain how risk governance can mediate the relationship between governance and risk management on the performance of Islamic banks. These findings show that the theoretical development of research no longer only focuses on principal-agent relationships, but begins to integrate aspects of sharia compliance, intermediation functions and stakeholder interests.

Distribution of Research Methods

Table 2. Distribution of Research Methods

No.	Research Methods	Quantity	Percentage
1	Regression data panel	20	50%
2	Dynamic panel/System GMM	7	17,5%
3	Moderation/Mediation analysis	3	7,5%
4	Systematic Literature Review	4	10%
5	Bibliometric analysis	1	2,5%

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6	Case study	2	5%
7	Descriptive/other quantitative method	3	7,5%
	Total	40	100%

The most dominant method is panel data regression, which is 20 articles or 50% of the overall literature. This dominance is related to the characteristics of the research object in the form of Islamic banks that provide financial statement data and governance reports in several periods. A total of 7 articles (17.5%) used dynamic panels or GMM systems. This method is widely used in banking risk research because it allows researchers to take into account the dynamic nature of risk and potential endogeneity issues. For example, Safiullah and Shamsuddin used the GMM System approach in analyzing the relationship between governance and Islamic bank risk. Aslam and Haron's research also used the 2-step GMM System in testing corporate governance and risk-taking. Interestingly, research with a moderation or mediation approach reached 3 articles (7.5%), which showed a shift from a direct relationship model to a model that explains the mechanism of relationships between variables. Jallali and Zoghlami (2022), for example, specifically examined risk governance as a mediating variable between corporate governance/risk management and the performance of Islamic banks.

Publication Trends

Table 3. Publication Trends by Year

Year	Number of Articles	Percentage	Theme Trends
2017	1	2,5%	Financing risk and financial distress
2018	2	5%	Governance, SSB and bank risk
2019	3	7,5%	Board characteristics and credit risk
2020	4	10%	Corporate governance, ERM and Sharia risk
2021	3	7,5%	Board, risk-taking and audit/Sharia committee
2022	4	10%	Sharia governance and risk governance
2023	6	15%	Financing risk, governance and risk-taking
2024	9	22,5%	Risk governance, Sharia governance and credit risk
2025	5	12,5%	Governance quality, financing risk and performance
2026	3	7,5%	Sharia governance, ownership and credit risk
Total	40	100%	—



Based on Table 4, publications increased relatively consistently from the initial period to the 2023–2025 period. The highest number of publications was found in 2024 with 9 articles (22.5%), then in 2023 as many as 6 articles (15%) and 2025 as many as 5 articles (12.5%). Combined, the 2023–2026 period produced 23 articles or **57.5%** of all articles analyzed. This shows that academic attention to the relationship between governance and risk management in Islamic banking has increased in more recent periods.

The development of the theme also shows a shift from corporate governance in general to a more specific discussion of Sharia governance, risk governance, SSB, credit risk and financing risk. One example of a recent development is the study of Sudarsono, Sholihin and Susanto which used 155 Islamic local banks in Indonesia for the period 2012–2019 and found that ownership by the commissioner board was negatively related to credit risk, while the ownership of the government, SSB and director board did not show a significant influence. The article was published in the Journal of Islamic Accounting and Business Research and was recorded as a Scopus Q1 journal.

Research Findings

Table 4. Synthesis of Research Findings

No.	Discovery Group	Number of Articles	Percentage	Synthesis of Findings
1	Corporate governance is related to risk	16	40%	Board, audit committee, governance quality and governance structure related to risk-taking/credit risk
2	Sharia governance/SSB is related to risk	13	32,5%	The characteristics, size, competencies and structure of SSBs with respect to risk control
3	Financing/credit risk affects performance	9	22,5%	High financing risk tends to be related to decreased performance/stability
4	Risk governance strengthens risk management	8	20%	The risk committee and risk governance mechanism play a role in monitoring and controlling risks



5	Types of financing affect risk	6	15%	The characteristics of financing contracts result in different levels of risk
6	Governance plays the role of moderator/mediator	5	12,5%	Governance is not only an independent variable but also explains the mechanism of relationships between variables
7	Governance results are not always consistent	11	27,5%	The influence of governance differs based on the type of risk, the size of governance and the context of the country
8	External factors influence risk-taking	5	12,5%	Regulations, corruption, economic conditions and the institutional environment also affect risks

Note: a single article can fall into more than one group of findings, so the total percentage doesn't have to be 100%.

Main Synthesis

The first finding shows that corporate governance is one of the main determinants of Islamic bank risk. A total of 16 articles (40%) discussed the relationship between governance and various forms of risk. However, the direction of influence is not always the same. Aslam and Haron (2021), for example, found that board independence and CEO power have a negative relationship with credit and liquidity risk, while audit committees show a more diverse relationship. The second finding is related to Sharia governance and SSB. A total of 13 articles (32.5%) specifically linked SSB or Sharia governance to risk. This is an important characteristic that distinguishes Islamic banking research from conventional banking research. The research of Putri, Haryono and Hassanee (2024), for example, used nine Indonesian Islamic banks for the 2018–2022 period and found that the size of SSB and the presence of women on the board of directors were negatively and significantly related to credit risk.

However, the results of the study were not entirely consistent. A total of 11 articles (27.5%) showed differences in results based on the type of risk, governance characteristics, country and research method. Zunanto and Abdullah (2023), for example, found that audit committees had a significant negative effect on financing risk, while the board of commissioners and SSB did not

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show a significant influence. These findings show that the existence of organ governance alone does not necessarily guarantee low risk. The quality, competence, independence and effectiveness of organ governance are aspects that need to be considered.

Another important finding is the relationship between financing risk and performance. A number of studies show that higher financing risk can have an impact on financial performance and stability. Maulidar and Majid (2020), for example, examined corporate governance and financing risk management on the performance of 11 Indonesian Islamic commercial banks during 2010–2019 using multiple regression panels. Rosidi, Nugraha and Putri (2024) research also showed that Islamic Corporate Governance has an important role in the relationship between DPS, FDR and NPF. The study used 12 Indonesian Islamic commercial banks for the period 2016–2021 and found that ICG had a negative effect on NPF and mediated part of the relationship between DPS and NPF. Thus, the results of SLR show that the relationship between governance and risk is not linear and universal. The effectiveness of governance depends on the type of governance mechanism, the type of risk, the characteristics of the bank and the institutional environment.

Final Synthesis and Research Gap

Synthesis of SLR Results

Based on the analysis of 40 articles, it can be seen that research on governance and risk management in Islamic banking has undergone significant developments. The literature no longer only places corporate governance as a supervisory mechanism for management, but has begun to integrate corporate governance with Sharia governance and risk governance. First, corporate governance is the most commonly found theme. A total of 22 articles (55%) discuss corporate governance, while 19 articles (47.5%) discuss Sharia governance or Sharia Supervisory Board. This shows that the governance mechanism in Islamic banks has two complementary dimensions, namely corporate governance and supervision of sharia compliance. Second, financing risk and credit risk are one of the main outcomes of the study. A total of 18 articles (45%) directly discuss these two types of risks. These findings show that financing risk is still an important issue in Islamic banking research because it is directly related to asset quality and the sustainability of bank performance.

Third, the research method is still dominated by a quantitative approach. A total of 20 articles (50%) used panel data regression and 7 articles (17.5%) used dynamic panel/System GMM. This dominance shows that the research has a fairly strong empirical basis, but there is still room



to develop an approach that combines quantitative aspects with more comprehensive governance quality measurement. Fourth, research for the 2023–2026 period reached 23 articles or 57.5% of the overall literature. This increase shows that the relationship between governance and risk management in Islamic banks is still a growing research issue. Fifth, the results show that the influence of governance on risk is not always consistent. Some studies have found that board independence, SSB characteristics, and audit committee can reduce risk, while other studies have found an insignificant relationship. These differences show that the existence of governance structures is not enough to explain the effectiveness of risk control.

Gap Research

1. Governance integration gap

Previous research still tends to separate corporate governance and Sharia governance. In fact, Islamic banks run both mechanisms simultaneously. Subsequent research can develop a model that integrates corporate governance and Sharia governance.

2. Governance quality measurement gap

Most studies use simple measures such as the number of board members, the number of SSBs or the existence of audit committees. Recent research has started using a more comprehensive governance quality index. This opens up opportunities to develop governance measures that not only consider the existence of organs, but also their quality and effectiveness.

3. Gap inconsistency of results

A total of 11 articles (27.5%) showed inconsistent results regarding the relationship between governance and risk. These differences show the need for research that considers the type of risk, bank characteristics, research period and institutional environment.

4. Cross-border gap

Although 23 articles (57.5%) have used cross-border samples, there is still room for research that specifically compares ASEAN countries with different regulatory characteristics and Islamic banking developments.

5. Gap influence mechanism

Most studies are still examining the direct relationship between governance and risk-taking or financing risk. Research that tests the mechanisms of moderation and mediation is still more limited. Thus, further research can test whether the quality of corporate governance or Sharia governance strengthens or weakens the relationship between certain factors and financing risk.



Future Research Directions

Based on the gap research that has been identified, the next research agenda can be directed to the development of a model that integrates Corporate Governance with Financing Risk in Islamic banking. In this relationship, Sharia Governance or Sharia Supervisory Board (SSB) can be considered as a moderator and mediator variable to explain how the sharia governance mechanism can strengthen or bridge the influence of Corporate Governance on financing risk. Furthermore, Financing Risk proxied through Non-Performing Financing (NPF) can be used as the main outcome of the study. This model can also be developed in the context of ASEAN, especially Indonesia and Malaysia, so that it allows the research to capture the differences in regulatory characteristics, governance mechanisms, and supervisory practices in Islamic banking in the two countries.

CONCLUSION

Based on a literature synthesis of 40 articles through the Systematic Literature Review approach, this study concludes that the discourse on governance and risk management in Islamic banking has transformed. Studies that initially focused solely on conventional corporate governance mechanisms have now shifted to a more holistic framework by integrating Sharia governance and risk governance. In this context, financing risk has consistently become a crucial issue because of its highly determinative implications on asset quality and banking operational stability.

Empirically, previous literature has built a solid methodological foundation, especially through the use of panel data regression analysis. However, the effectiveness of governance organs in mitigating risks still shows asymmetrical results and is not fully consistent. This phenomenon indicates that formal structural compliance—such as simply meeting the size of the Shariah Supervisory Board (SSB) or the number of commissioners—does not necessarily guarantee the optimization of risk control if it is not accompanied by an improvement in the quality, competence, and independence of the supervisory mechanism itself.

As a theoretical implication, this study identifies five essential research gaps, namely: (1) fragmentation between corporate and sharia governance; (2) simplification of governance quality measurement; (3) divergence of empirical findings; (4) limitations of cross-border comparative studies; and (5) lack of exploration of intervariable transmission mechanisms. To bridge these gaps, future research agendas are encouraged to design a testing model that places Sharia Governance (especially SSB) as a moderation or mediating instrument in the relationship between



Corporate Governance and financing risk—which is proxied through Non-Performing Financing (NPF). Furthermore, the application of this model is very relevant to be adopted in ASEAN regional comparative studies, especially between Indonesia and Malaysia, in order to map the regulatory dichotomy and dynamics of governance practices more comprehensively.

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