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# ANALYSIS OF SHARIA-BASED GOVERNANCE IN THE TAKAFUL INDUSTRY: A REVIEW OF CONTEMPORARY LITERATURE

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**Abstract**

*This study aims to explore and evaluate the development of studies on shariah-based governance in the takaful industry through a systematic literature review approach. Sharia governance has an important role in ensuring that all processes, policies, and operational activities of takaful companies are implemented in accordance with sharia regulations, while supporting the principles of transparency, accountability, fairness, and protection of participants' rights. This study uses the Systematic Literature Review (SLR) method by adopting the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) 2020 guidelines. The databases used are Scopus and Google Scholar with the keywords "Shariah Governance", "Islamic Governance", "Takaful Industry", "Takaful Governance", and "Shariah Governance in Takaful". Through the process of identification, screening, and feasibility assessment, 7 articles that meet the inclusion criteria were obtained for thematic analysis. The results of the study show that the effectiveness of sharia governance in the takaful industry is determined by five main elements: the role and competence of the Sharia Supervisory Board (DPS), the sharia compliance and audit system, the corporate governance mechanism, the transparency of information disclosure based on AAOIFI standards, and the support of the regulatory framework. This research provides theoretical contributions to the development of the concept of sharia governance in the Islamic insurance industry as well as practical recommendations for regulators, takaful operators, and Sharia Supervisory Boards.*

***Keywords: Shariah Governance, Takaful, Compliance, Shariah Supervisory Board, Systematic Literature Review.***

## 1. INTRODUCTION

The Islamic finance industry continues to experience significant growth as public awareness of the importance of transactions in accordance with Islamic principles increases. One of the sectors that is growing in the Islamic financial ecosystem is the takaful industry, which offers a risk protection mechanism based on the concept of help-help (*ta'awun*) and mutual guarantee (*takaful*) among participants. Unlike conventional insurance that implements *a risk transfer* mechanism, takaful prioritizes *the principle of risk sharing* that is in line with sharia values (BenSaid, 2023). Effective governance is an important factor in ensuring the sustainability and competitiveness of the takaful industry amid the development of the global financial industry (BenSaid, 2023).

In the takaful industry, the implementation of governance is not only oriented to the corporate aspect, but must also ensure compliance with sharia principles. This concept is known as *shariah governance*, which is a system that regulates the process of supervision, control, and sharia compliance in all operational activities of takaful companies. Sharia governance includes various elements, such as the Sharia Supervisory Board, sharia audits, sharia compliance mechanisms, reporting transparency, and regulatory frameworks that support the implementation of sharia principles in organizations (Jamil & Marzuki, 2023).

A bibliometric review of the takaful literature globally shows that there is still much less research on governance in the takaful industry than on governance research in Islamic banking, although the number of takaful publications has been increasing since the 2000s (Khan et al., 2020). This condition indicates a significant *research gap*: on the one hand, the literature on sharia governance in Islamic banking has developed rapidly and is relatively mature, while on the other hand, studies that specifically synthesize sharia governance in the Islamic insurance industry (takaful) are still fragmented and spread across different disciplines, country contexts, and methodological approaches.

The importance of sharia governance is getting more attention because of its success in maintaining the integrity, credibility, and trust of participants in takaful institutions. Research shows that the effectiveness of the Sharia Supervisory Board, the competence of the Sharia Board members, and the quality of the Sharia Supervision Mechanism have an influence on the financial performance of takaful companies. The size of the Sharia Supervisory Board, the reputation, and the qualifications of its members have proven to be important determinants in improving the performance of takaful companies registered in various Middle Eastern countries (BenSaid, 2023).

In addition to the sharia aspect, corporate *governance* is also a factor that determines the operational success of the takaful industry. Governance mechanisms such as the size of the board of directors, the independence of the board, the concentration of ownership, and the effectiveness of Sharia Supervisory Board meetings have been proven to significantly affect the performance of takaful companies (Sallemi et al., 2021). These findings show that corporate governance and sharia governance are two complementary aspects in creating an effective and sustainable management system.

However, the study of sharia-based governance in the takaful industry is still relatively limited compared to research on the Islamic banking sector. This condition shows the need to synthesize literature in order to gain a more comprehensive understanding of the development, characteristics, and direction of sharia governance research in the takaful industry.

In addition, the development of digital technology, the demand for transparency, and increasing attention to *sustainability* and *Environmental, Social, and Governance* (ESG) issues present new challenges for the implementation of sharia governance. The integration of sharia maqashid principles, modern governance, and digital innovation is an important agenda that needs to be further studied to support the sustainability of the takaful industry in the future (Jamil & Marzuki, 2023; Rahman & Khan, 2026).

Based on the description above, this study is formulated to answer three research questions: (1) what themes and elements dominate the contemporary literature on sharia governance in the takaful industry for the period 2020–2026? (2) How is the relationship between the elements of sharia governance and the performance/sustainability of takaful companies according to the existing literature? and (3) what areas are still research *gaps* and have the potential to be future research agendas? This study aims to analyze the development of studies on sharia-based governance in the takaful industry through the *Systematic Literature Review* (SLR) approach based on the PRISMA protocol. By analyzing scientific articles published in the period 2020 - 2026, this research is expected to be able to identify the main themes, research trends, factors that affect the effectiveness of sharia governance, and research opportunities that can be developed in the future. The novelty *of* this article lies in its focus which specifically synthesizes the literature on sharia governance in the context of takaful instead of sharia banking in general by linking the findings to the framework of agency theory, *stakeholder theory*, and sharia maqashid theory in an integrated manner, as well as mapping the direction of future research on ESG issues and governance digitalization.

## 2. THEORETICAL REVIEW

### *Agency Theory and Sharia Governance*

Agency theory explains that the separation between ownership and management of a company has the potential to cause a conflict of interest between the principal (policyholder/participant) and the agent (management). In the context of takaful, agency conflicts become more complex due to the existence of an additional layer of governance, namely the Sharia Supervisory Board, which functions to ensure that management not only acts in the interests of shareholders, but also maintains compliance with sharia principles for the benefit of participants (Sallemi et al., 2021; Eldaia et al., 2023). The existence of DPS as a second supervisory mechanism is a characteristic that distinguishes the governance of Islamic financial institutions from conventional financial institutions. Public awareness of sharia insurance products still needs to be increased through a comprehensive promotional strategy, including direct education, seminars, and digital media (Rahmayati, 2018). In practice, sharia insurance contracts in Indonesia consist of a commercial contract and a tabarru' contract based on help-help, as stipulated in Law Number 40 of 2014 concerning Insurance (Lubis, 2022).

**Maqashid Syariah Theory**

Sharia maqashid is a value framework that emphasizes the achievement of sharia goals, namely the protection of religion, soul, intellect, descendants, and property. In the context of takaful governance, the maqashid sharia approach is used to assess the extent to which the company's operations are not only formally compliant with sharia fatwas and contracts, but also achieve substantive goals such as fairness, participant benefit, and fair risk distribution (Hudaefi & Noordin, 2019; Hudaefi & Badeges, 2022; Taufik et al., 2023). This approach is increasingly relevant with the emergence of studies that integrate sharia maqashid with ESG principles in takaful operations (Mohd Zain et al., 2024).

**Stakeholder Theory and Legitimacy**

Stakeholder theory emphasizes that the sustainability of an organization depends on its ability to meet the interests of various stakeholders, including participants, regulators, shareholders, and the wider community. Transparency of information disclosure, including disclosure based on *Accounting and Auditing Organization for Islamic Financial Institutions* (AAOIFI) standards, is one of the instruments to build public legitimacy and trust in takaful operators (Mohd Zain et al., 2021; Mejri et al., 2022).

**The Concept of Shariah Governance in Islamic Financial Institutions**

Conceptually, *sharia governance* is defined as a set of organizational mechanisms that ensure effective oversight of sharia compliance, including the structure of the DPS, internal sharia audit functions, sharia compliance risk management, and reporting (Ab Ghani et al., 2023; Algabry et al., 2020).

## 3. RESEARCH METHODS

### Research Design

This study uses a qualitative synthesis approach through the *Systematic Literature Review* (SLR) method by adopting the *Preferred Reporting Items for Systematic Reviews and Meta-Analyses* (PRISMA) 2020 framework (Page et al., 2021), and refers to the SLR implementation protocol recommended by Carrera-Rivera et al. (2022), which divides the SLR process into three main stages: *planning*, implementation (*conducting*), and *critical analysis*. The application of this protocol allows the process of identification, selection, evaluation, and synthesis of articles to be carried out in a systematic, transparent, and replicable manner thereby increasing the validity of the study results.

### Data Sources and Search Strategies

The literature search strategy is carried out through the Scopus database and Google Scholar to obtain scientific articles published in the period 2020–2026. Search the Scopus database using a combination of keywords via the Boolean operator: TITLE-ABS-KEY ("shariah governance" OR "islamic governance") AND ("takaful" OR "takaful industry" OR "islamic insurance") AND ("governance" OR "compliance" OR "supervisory board")). Searches similar to term adjustments are performed on Google Scholar as a complementary database. This search strategy is designed to obtain articles that specifically discuss sharia-based governance in the context of the takaful industry as well as various aspects related to sharia compliance, Sharia Supervisory Boards, sharia audits, corporate governance, and takaful industry regulations.

### Inclusion and Exclusion Criteria

Articles included in this study must meet the following criteria: (1) scientific journal articles that have gone through *a peer-review* process; (2) issued in the range of 2020–2026; (3) written in English; (4) directly discuss the themes of sharia governance, corporate governance, sharia compliance, or sharia audit in the context of the Islamic takaful/insurance industry; and (5) available in full *text* format. Articles are excluded when: (1) they are *non-peer-reviewed*, editorial, or opinion proceedings; (2) focusing on Islamic banking without being directly related to takaful; (3) does not explicitly discuss the dimensions of governance or sharia compliance; or (4) is a duplicate of another database.

**Table 1. Stages and Criteria for Literature Selection**

| Stages | Criteria | Results |
|---|---|---|
| Identification | Keywords: "Shariah Governance", "Islamic Governance", "Takaful Industry", "Takaful Governance", "Shariah Governance in Takaful" on Scopus and Google Scholar | 215 articles identified (95 Scopus + 120 Google Scholar) |
| Screening | Suitability of subject areas (business, economics, Islamic finance); English-language articles; Publications 2020–2026 | 57 articles passed the initial screening (25 Scopus + 32 Google Scholar) |
| Eligibility | Full text is accessible; explicit discussion of sharia governance in takaful; Non-duplication | 33 articles assessed for eligibility (15 Scopus + 18 Google Scholar) |
| Final inclusions | Meet all inclusion criteria and the relevance of the theme directly with sharia governance in the takaful industry | **7 articles** synthesized in the study (4 from Scopus, 3 from Google Scholar) |

*Source: The research data was processed, following the PRISMA 2020 flow (Data Processed, 2026)*

**Selection Procedure (PRISM Flow Diagram)**

The literature selection process follows four stages of PRISMA, namely identification, screening, feasibility assessment, and inclusion, as illustrated in Figure 1. At the identification stage, an initial search on Scopus yielded 95 studies and on Google Scholar yielded 120 studies. After filtering by subject area, language, and year range of publication, the number of studies shrunk to 25 (Scopus) and 32 (Google Scholar). Further feasibility stages consider the accessibility of the full text and the relevance of the theme, leaving 15 and 18 studies. In the final stage, after assessing the quality and relevance of the substance, 7 articles that met all inclusion criteria were obtained for in-depth analysis.

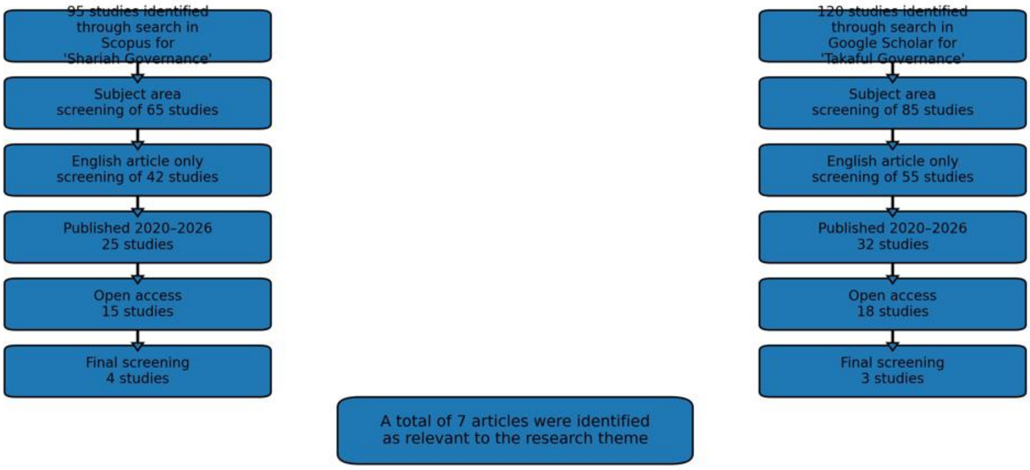


*Figure 1. PRISMA Flowchart for Search Strategy and Selection Procedure*

**Study Quality Assessment**

To improve the quality of the synthesis, each article that passed the feasibility stage was evaluated using four quality assessment criteria, namely: (1) the clarity of the formulation of the sharia governance concept used; (2) direct relevance to the context of the takaful industry; (3) clarity and rigor of research methodologies (both quantitative, qualitative, and conceptual approaches); and (4) contribution to the development of sharia governance theory and practice. Articles that meet all the criteria well are given higher weight in the thematic synthesis process.

**Data Analysis Techniques**

The data that has been collected is analyzed using a *thematic synthesis approach*, which is the process of grouping findings from each article into main themes that appear repeatedly. The analysis stage includes: classification of articles based on the research theme, author, year, country of origin, and research method; identification of patterns and inter-themes; as well as the formulation of future research directions. To complement the qualitative thematic analysis, this study also designed an advanced bibliometric mapping analysis using the VOSviewer application to visualize the relationship between keywords and author collaboration patterns in a wider body of literature, as a basis for identifying new directions of research in the future, especially related to the economic resilience of the takaful industry.

## 4. RESULTS AND DISCUSSION

### *Characteristics of Selected Studies*

Table 2 presents a brief profile of the seven articles that make up the main corpus of this study. The studies cover a wide range of geographical contexts (Malaysia, the Middle East and Southeast Asia region, as well as cross-border conceptual studies) and a wide range of methodological approaches, ranging from regression-based quantitative studies to conceptual and systematic reviews.

**Table 2. Profiles of Analyzed Major Studies (2020–2026)**

| Yes | Author (Year) | Study Focus | Context/Country | Method | Journal Source |
|---|---|---|---|---|---|
| 1 | BenSaid (2023) | Shariah *governance* mechanism and takaful financial performance | Middle East (11 takaful companies listed) | Quantitative – panel regression | *Journal of Islamic Accounting and Business Research* |
| 2 | Jamil & Marzuki (2023) | The influence of *shariah governance* on the performance of takaful operators | Malaysia | Quantitative – multiple regression | *Journal of Islamic, Social, Economics and Development* |
| 3 | Sallemi, Zouari-Hadiji, & Zouari (2021) | Takaful governance and performance mechanism, moderated by the seniority of leaders | Southeast Asia & GCC (21 companies) | Quantitative – Baron & Kenny moderation | *Journal of Islamic Accounting and Business Research* |
| 4 | Mohd Zain, Wan Abdullah, & Percy (2021) | The role of governance in the voluntary adoption of AAOIFI disclosure standards | Southeast Asia & GCC (44 takaful operators) | Quantitative – content analysis & regression | *Journal of Islamic Accounting and Business Research* |
| 5 | Ahmad, Ahmad, Mohd Noor, & Abdullah (2023) | Waqf-takaful compensation operational framework (WTCOF) for governance strengthening | Malaysia (conceptual) | Qualitative – conceptual study | *European Proceedings of Social and Behavioural Sciences* |
| 6 | Rahman & Khan (2026) | Multidimensional sustainability practices in the takaful industry, | Global (Scopus-based systematic review) | Qualitative – systematic review of PRISMA | *Discover Sustainability* |

| Yes | Author (Year) | Study Focus | Context/Country | Method | Journal Source |
|---|---|---|---|---|---|
| | | including the governance dimension | | | |

***Source:*** *Processed research data.*

**The Role of the Sharia Supervisory Board in the Governance of the Takaful Industry**

The results of the literature review show that the Sharia Supervisory Board (DPS) is the main component in the sharia-based governance system in the takaful industry. DPS has the responsibility to ensure that all operational activities, participant fund management, investment, and product development are carried out in accordance with sharia principles. The existence of DPS is the main differentiator between governance in the takaful industry and governance in conventional financial institutions.

The characteristics of DPS, such as the size of the board, the competence of members, and academic and professional reputation, have been proven to have a positive effect on the performance of takaful companies. The higher the quality of the DPS, the more effective the sharia supervision function will be. In addition, the intensity of DPS meetings and active involvement in the decision-making process are also able to increase the effectiveness of takaful company governance (BenSaid, 2023; Sallemi et al., 2021). These findings are consistent with studies in the context of Islamic banking, which show that the independence and effectiveness of the Islamic supervisory board plays an important role in improving the quality of sharia compliance more broadly (Alam & Miah, 2021). Thus, DPS not only functions as a formal supervisor, but also becomes a strategic instrument in maintaining the credibility and legitimacy of the company's sharia.

**Sharia Compliance and Sharia Audit as Control Instruments**

The findings of the study show that *sharia compliance* is the main goal of the implementation of sharia governance in the takaful industry. Sharia compliance is not only related to the suitability of products and contracts used, but also covers all company operational processes.

A strong sharia governance system can increase the effectiveness of supervision of company activities so as to minimize the risk of *sharia non-compliance risk*. Sharia audit functions as an evaluation mechanism that is carried out periodically to assess the suitability of the company's operations with sharia regulations, as affirmed in the conceptual framework of the effectiveness of internal sharia audits in Islamic financial institutions (Algabry et al., 2020). This framework is relevant to be adapted to the context of takaful considering the complexity of *tabarru'* and *wakalah* contracts that require multi-layered supervision. In addition, the success of sharia governance is highly dependent on the company's ability to build a culture of compliance based on the principles of trust, transparency, and responsibility. Therefore, sharia audits not only function as an internal control tool, but also as a means to increase participants' trust in takaful companies (Jamil & Marzuki, 2023;).

**The Influence of Sharia Governance on the Performance of Takaful Companies**

The results of the literature synthesis show that sharia governance has a significant relationship with the performance of takaful companies. Effective sharia governance can improve operational efficiency, strengthen internal supervision, and reduce risks that can affect the stability of the company. In addition, the implementation of good sharia governance also contributes to increasing participant trust which ultimately has an impact on the company's business growth (BenSaid, 2023).

Takaful companies that have a strong sharia governance mechanism tend to show better financial performance than companies with less effective governance systems. Sallemi et al. (2021) found that the size of the board of directors and the proportion of independent directors had a positive effect on the performance of wakalah contract-based takaful in the Southeast Asia region, while the pattern of influence on hybrid contract-based takaful in the GCC region showed different characteristics — indicating that the effectiveness of governance mechanisms is contextual to the contract model and regulatory environment. The effectiveness of sharia governance also has a positive effect on the performance of takaful operators through improving the quality of decision-making, more effective supervision, and strengthening stakeholder trust (Jamil & Marzuki, 2023). These results indicate that sharia governance not only functions as a compliance instrument, but also as a strategic factor that can increase the competitiveness of companies in the increasingly competitive Islamic finance industry.

**Transparency and Disclosure of Information in Sharia Governance**

Transparency is one of the main principles in sharia governance which aims to ensure that all information related to the company's activities can be accessed by stakeholders clearly and accurately. In the takaful industry, transparency includes disclosure regarding the management of participant funds, investment activities, distribution of underwriting surpluses, and the results of sharia supervision conducted by DPS.

The application of disclosure standards that refer to AAOIFI guidelines has been proven to be able to improve the reporting quality of takaful companies. Mohd Zain et al. (2021) found that corporate governance strength measured through the characteristics of the board of directors and audit committee had a positive and significant effect on the rate of voluntary adoption of the AAOIFI disclosure standard among takaful operators in the Southeast Asia and GCC region, although the strength of the DPS itself did not show a significant association with such adoption. These findings provide an important nuance: the effectiveness of sharia governance on the disclosure dimension appears to be driven more by conventional corporate governance mechanisms than by DPS directly, a finding that is relevant to be explored in future research. More comprehensive disclosures provide participants with adequate information to increase their level of trust and loyalty to the company. In an Islamic perspective, transparency is the implementation of the principle of trust that requires every fund manager to provide correct and accountable information to all interested parties (Mohd Zain et al., 2021; Mejri et al., 2022).

**Waqf-Takaful Model as a Governance Structural Innovation**

In addition to the elements of supervision and disclosure, the literature also identifies structural innovations in the form of *the waqf-takaful* model as a mechanism to strengthen governance as well as the social function of takaful. The *waqf-takaful* compensation operational framework (WTCOF) proposed by Ahmad et al. (2023) places waqf funds as a *buffer instrument* that strengthens the compensation capacity of participants while strengthening the sharia legitimacy of takaful institutions. This model represents the convergence between Islamic philanthropic instruments (waqf) and modern risk management instruments, and is one of the areas that has the potential to be studied, especially regarding its implications for the governance structure and supervision of waqf funds themselves.

**Challenges and Directions for Sharia Governance Development in the Takaful Industry**

Although sharia governance has developed significantly, the results of the study show that there are still various challenges in its implementation. One of the main challenges is the lack of uniform sharia governance standards in various countries. Differences in regulations and institutional structures cause variations in the application of sharia governance in the takaful industry.

The development of sharia governance in the future must not only be oriented towards formal compliance, but also on the achievement of sharia goals (*maqashid sharia*). A systematic review by Rahman and Khan (2026) on the takaful sustainability literature confirms that the *environmental governance* dimension in the takaful industry is still lagging behind the financial and social sustainability dimensions, and is mostly voluntary and poorly supervised. In line with that, the research of Mohd Zain et al. (2024) offers a blueprint for the integration of ESG principles with sharia maqashid as a sustainable takaful operational framework, covering the dimensions of ethical governance, environmental responsibility, and social inclusivity. The literature analyzed in this study shows that discussions on the integration of sharia governance with ESG concepts, *sustainability*, and governance digitalization are still relatively limited to the core corpus of seven articles studied, although the broader supporting literature (beyond the seven main articles) shows an increasing trend of research interest in this theme from 2023–2026. Therefore, these themes have the potential to be future research agendas that can enrich the development of sharia governance in the takaful industry (BenSaid, 2023; Mohd Zain et al., 2024; Rahman & Khan, 2026).

**Synthesis of Findings and Conceptual Framework**

Based on the results of the literature review, it can be concluded that the success of the implementation of sharia-based governance in the takaful industry is determined by the interaction of five main elements, namely: (1) the effectiveness and competence of the Sharia Supervisory Board; (2) the quality of the sharia compliance and audit system; (3) corporate governance mechanism (size and independence of the board of directors, concentration of ownership); (4) transparency of information disclosure based on AAOIFI standards; and (5) support for the national regulatory framework. These five elements together form a supervisory system that complements each other rather than stands alone and is empirically proven to correlate with company performance, participant trust, and the sustainability of the takaful industry (BenSaid, 2023; Jamil & Marzuki, 2023; Sallemi et al., 2021; Mohd Zain et al., 2021). Thus, strengthening sharia governance is a strategic need in facing the increasingly complex dynamics of the global sharia finance industry, especially in the midst of the increasingly strong demands for the integration of sharia maqashid and ESG.

### Theoretical and Practical Implications

Theoretically, this study strengthens the relevance of agency theory and sharia maqashid theory as two complementary lenses in understanding takaful governance, agency theory explains the mechanism of structural supervision, while sharia maqashid theory provides a normative dimension regarding the substantive purpose of supervision. Practically, these findings have implications for three stakeholder groups: for regulators, the results of the study confirm the urgency of harmonizing sharia governance standards across jurisdictions, including the adoption of AAOIFI standards more consistently; for takaful operators, strengthening the competence and independence of DPS and investing in the internal sharia audit system are strategic priorities; and for the Sharia Supervisory Board, the results of the study confirm the need to expand the role of DPS to the realm of sustainability and ESG supervision, not only formal contract compliance.

## 5. CONCLUSION

This study examines sharia-based governance in the takaful industry through an analysis of contemporary literature published in the period 2020–2026 with a *Systematic Literature Review* approach based on the PRISMA protocol. The results of the study show that sharia governance has a very important role in ensuring that all takaful companies' activities run in accordance with sharia principles while supporting the creation of transparency, accountability, and fairness in the management of participant funds. The existence of sharia governance not only functions as a supervisory mechanism, but also as a foundation that maintains the trust of participants and strengthens the sustainability of the takaful industry in the midst of the increasingly dynamic development of the Islamic financial sector.

This study found that the effectiveness of sharia governance in the takaful industry is influenced by five main elements, namely the role of the Sharia Supervisory Board, the implementation of the sharia compliance and audit system, the quality of corporate governance, transparency in AAOIFI-based information disclosure, and adequate regulatory support. The five elements are interrelated and form a supervisory system that aims to maintain consistency in the application of sharia principles in all operational activities of the company. Optimal implementation of these aspects has been proven to be able to improve the quality of organizational management, strengthen participant confidence, and support the achievement of better company performance.

In addition, the results of the study show that the development of research on sharia governance in the takaful industry is still concentrated on aspects of sharia compliance, the role of the Sharia Supervisory Board, and the influence of governance on company performance. Meanwhile, discussions on the integration of sharia goals in governance, the use of digital technology, organizational sustainability, and the application of environmental, social, and governance (ESG) principles are still relatively limited. This condition shows that there are ample opportunities for future research development to produce a sharia governance model that is more adaptive to changes in the business environment and the needs of the modern Islamic finance industry.

Overall, sharia-based governance is a strategic factor that determines the success of the takaful industry in maintaining compliance with Islamic principles while increasing the competitiveness of companies. Therefore, strengthening sharia governance needs to be a major concern for regulators, takaful companies, and the Sharia Supervisory Board so that the takaful industry can develop sustainably, provide optimal protection to participants, and contribute to the growth of a stronger and more inclusive Islamic financial ecosystem.

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