



Research article

Do Islamic banks use institutional theory in the light of Shariah governance? Empirical evidence from a Muslim dominant country

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ABSTRACT

The present paper examines the application of institutional theory (hereafter IT) mechanisms (isomorphism and legitimacy) in Shariah governance (henceforth SG) practices and in operations, as it best illuminates the operational guidelines and procedures for the Islamic banks to attain legitimacy. More specifically, the study aims to empirically explore the SG of Islamic banks in Bangladesh from the viewpoint of IT mechanisms. The study applied a qualitative case study method and a semi-structured face-to-face (individual) interview with various stakeholders connected with Bangladesh's Islamic banks and SG practices. The study finds that Islamic banks face pressure from the administration, regulators, and government in performing their activities and functions. More importantly, most Islamic banks replicate one leading Islamic bank, which indicates the presence of mimetic or cultural-cognitive isomorphism. Conversely, normative pressure covers the existing practicing environment, people's social awareness, knowledge, willingness, and accountability of the Board of Directors (BOD) towards the people concerning Shariah compliance with policymaking. Moreover, socio-political norms, regulations, and corruption influenced policymaking, preparation of SG guidelines, and their implementation. The study significantly contributed to national regulatory bodies by exploring the presence of significant pressures on diverse stakeholders. The study has several policy contributions for the Islamic banks and the Central Bank of Bangladesh. Notably, the study will help global regulatory bodies and policymakers minimize multifaceted pressures, improve SG practices, and enhance the quality of Shariah compliance.

1. Introduction

Institutional Theory (IT) provides a theoretical lens through which researchers can identify and examine influences that promote the survival and legitimacy of organizational practices, including factors such as culture, social environment, regulation (including the legal environment), tradition, and history and economic incentives while acknowledging the related resources are also important [1, 2–5]. Legitimacy refers to adopting sustainable practices seen by stakeholders as proper and appropriate [6]. It is traditionally concerned with how the groups and organizations better secure their positions and legitimacy by conforming to the rules (such as regulatory structures, governmental agencies, laws, courts, professions, scripts, and other societal and cultural practices that exert conformance pressures) and norms of the institutional environment [6–8,9]. According to IT, external social, political, and economic

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forces influence firms' strategies and organizational decision-making as the firms seek to adopt legitimate practices or legitimize them in the view of other stakeholders [10,11].

It describes three types of drivers that create isomorphism in organizational strategies, structures, and processes. The drivers are coercive, normative, and mimetic [6]. Coercive occurs from the influences exerted by those in powerful positions, in such cases within the Islamic bank's Shariah governance (SG) practices. Coercive pressures are crucial to driving environmental management and sustainability [12]. Normative drivers ensure organizations conform to partaking in legitimate actions [13]. [14] The normative pressures drive enterprises to be more environmentally aware and argue that institutional research could explore new social rules (e.g., ethical values and ecological thinking) and organizational responses to environmental issues. Normative drivers, therefore, exert influence because of a social obligation to comply, rooted in social necessity or what an organization or individual should do [15]. Mimetic isomorphic drivers occur when enterprises imitate the actions of successful competitors in the industry to replicate the path to success and, hence, ensure legitimacy [13,16].

Previous research [17,18] focused on IT to help expand the idea of isomorphisms (forces that are coercive, normative, or mimetic) and legitimacy in the context of Islamic banks and their SG. They deal with the fact that IT is pertinent to religious institutions' objectives, whereas traditional corporate institutions now focus on coherent actors and maximizing profit. Considering the IT pre-summptions mentioned above [19], outlined that the Shariah Governance Framework (SGF) offers the general principles, plans, and techniques that Islamic banks could use to execute, track, and manage their operations. According to Ref. [20], SG is a comprehensive procedure for integrating Shariah principles into the processes and regular business dealings of Islamic Financial Institutions (IFIs). Additionally, SGF promotes Islamic concepts, such as justice, adherence to Shariah, and zakat management, to ensure all stakeholders' fairness and accountability [20]. The SG structures covered the Shariah Supervisory Board (SSB), the formation of the board's sub-committees (such as the audit committee and risk management committee), and the management and sharing of information among them [21]. The board of directors (BOD) in regular banks is analogous to the SSB in Islamic banks. In sum, SSB performs a similar function while making judgments on Islamic banking [22].

Due to the significance of SGF, previous studies applied the IT components from various angles, such as corporate governance (CG), profit-sharing agreements [23], political and institutional factors and accounting regulations [24]; community development practices of Islamic banks in developing economies [25]; and waqf accounting and reporting [26]. [19,17] also connected IT to SG of Islamic banks through the literature survey and by portraying a conceptual framework.

Furthermore, IT describes how people and groups should uphold their authority and positions by adhering to organizational norms [6–8,27]. In this regard [28], discovers that the three isomorphisms—coercive (e.g., government execution, regulatory framework), normative (e.g., social norms), and reflective (e.g., imitating other Islamic banks)—have administrative influence in the existing preset structure at the government, industry, and micro (for example, between the companies and within each company) levels. In such context, SSBs are responsible for approving the various contracts and overseeing the corporate structure by the Shariah guidelines [22].

Even though there is extensive IT employment in previous research in different jurisdictions, few studies specifically examine IT, Islamic banking [24], and waqf institutions [26]. The current research addresses the gap by taking Bangladesh as a unique environment. Bangladesh is an appropriate setting for the present study for several reasons.

1. The Islamic Bank Bangladesh PLC (IBBPLC) foundation in 1983 marked the beginning of Islamic banking. Ten fully functional Islamic banks operate in Bangladesh [29].
2. They attract the Muslim population's interest, magnetizing all conventional banks to conduct the Islamic banking industry through their distinct branches and windows. The private endeavors created the Islamic banking sector rather than government activities, and Bangladesh is the second-biggest Muslim nation with a population of more than 80 % Muslims [30,31]. The Bangladesh Bank, the country's central bank, proposed an SG guideline in 2009, which is not comprehensive and suffers from several limitations.
3. The SG needs to be consistent with prevailing practices worldwide.

Critics commented that the formation of SSB is optional, and no formal guidelines are available for implementing Shariah principles [32,33].

The current study's primary goal is to investigate how IT mechanisms (isomorphism and legitimacy) are applied in SG practices and operations because SG most effectively clarifies Islamic banks' operational guidelines and rules and achieves legitimacy [19]. While [19] outlined the relevance of IT in the SGF of Islamic banks through the critical literature review [17], developed a conceptual framework based on IT, which needs further investigation. Proponents of IT recommended IT to form SG because it enhances the organization's reputation, promotes religious legitimacy, and fosters a more robust regulatory framework [19].

The researchers established several research questions to extend their understanding of the premises of IT and SG to test the hypotheses. The researchers depend on prior research on SG and the relevant research gap to formulate their research questions and ideas (given in the appendix). They interviewed 17 relevant respondents using a semi-structured questionnaire. More specifically, the researcher met diverse groups of people directly or indirectly associated with Islamic banks and connected to some extent with the formation of SG guidelines.

The current work significantly contributes to IT use, Islamic banking development, and SG literature. The study illustrated the operational rules and practices pertinent to Islamic banks using IT through theoretical lenses. The study stresses the roles and responsibilities of stakeholders (including regulators, institutions, BODs, and SSBs) in the operational process of Islamic banks employing IT to enhance organizational structures and institutional images. The current study empirically investigates IT concerning SG practices in Islamic banking systems prevailing in developing nations [19,17]. The study also reveals the potential of emerging banking via

Islamic philosophy about conventional banking practices. Notably, the current study contributes to the literature on the legitimacy and isomorphism of Islamic banks in Bangladesh. Third, the researchers adopted a new institutionalism strategy because IT strongly emphasizes achieving legitimacy, which is necessary to protect an organization's existence [8]. The process helped them understand how to develop and formulate their SG frameworks to obtain legitimacy from various stakeholders. In addition, regulatory bodies will significantly benefit from the study's findings in developing policies and guidelines for Islamic banks and promulgating potential mechanisms to reduce outside pressures on management or SSB. The current research will also be helpful for countries that practice Islamic banking or plan to implement a Shariah banking system (e.g., Malaysia and Indonesia).

2. Institutional theory and Shariah Governance Framework

Institutional Theory (IT) specifies the environment of an institution's potential structure and layout. It connects to the perceptions of how an organization maintains its position and legitimacy by abiding by legal and regulatory frameworks, laws, court orders, and other social and cultural norms that impose conformity pressures and standards in the organizational setting [6–8,27,9]. Prior research defined an organization as the culmination of social concepts and a reflection of organized actions [34]. IT describes the prospective environment for the design and layout of an institution, associated with ideas about how organizations and groups uphold their authority and positions by adhering to legal and regulatory frameworks, laws, court orders, and other social and cultural norms that impose conformity pressures and standards in the organizational setting [6–8,27,9]. Institutional practices and structures reflect the responses to policies and convictions and resolve development within an organizational setting. According to past research, an organization is the product of social notions and a representation of structured behaviors [34].

[35] focusing on IT and its influence on religious institutions, asserted that IT is relevant to the goals of religious institutions. In contrast, conventional business institutions have an additional tendency to consider coherent actors and an image centered on the maximization of profit. In this context, prior studies on IT have emphasized CG [36–38] and the corporate community development practices of Islamic banks in Bangladesh. Whereas the prevailing theories of SG disclose the entwined relationship between SG and regulation, IT helps unveil the missing link and how Islamic banks impact societal law [19,17,22,39]. In line with Shariah's audit practice, an organization's commitment to effective compliance could lead to isomorphism due to environmental pressures. The finding discovers the impacts of coercive isomorphism, mimetic isomorphism, and normative isomorphism on the current Shariah audit practice. Therefore, the results determine the expectations of the practitioners regarding enhancing the current practice of Shariah auditing [40]. Several studies focused on the IT and SG practices [1, 2, 103, 106] and mechanisms of Islamic banks and financial institutions [100, 101, 102, 103, 104, 105, 106, 107]. Such as [101] focused on Islamic banks' corporate social responsibility, [102, 107] institutional and regulatory development, [104, 105] on Shariah audit of Islamic banks.

Based on the critical review [19,17], found that IT is most influential in developing SG as it contributes toward the organizational image, helps to achieve religious legitimacy, and inspires a more robust regulatory environment. In addition, IT drives a well-designed SGF, which could provide guidelines, strategies, and procedures for Islamic banks to conduct better, monitor, and control their social, religious, and accountability obligations [19]. also highlighted the societal, economic, and legal environment of Islamic banks about the propositions of IT [19]. emphasized that a well-designed SGF driven by IT could provide guidelines, strategies, and procedures for Islamic banks to better conduct, monitor, and control their social, religious, and accountability obligations [19].

However [6], highlighted three isomorphic processes: coercive (to acquire legitimacy), mimetic (to avoid ambiguity), and normative (which typically results from professionalization). Coercive isomorphism results from institutional behaviors that deviate from the expected social norms due to outside coercion [6,41]. Advocacy organizations exert pressure to change Islamic banks' policies, depositors, authorities, and accounting and auditing firms. Second, institutions are likely to implement structures and systems according to their preferences to ensure the success of the institutions when they discover the organization's weaknesses in the forms, procedures, and processes, the objectives are unclear, and the environment is uncertain [6]. Implementing institutional policies from other institutions results in designing various modern, appropriate, or expert [9]. [26] discovered that difficulties in adopting accounting and reporting waqf in Malaysia result from coercive demands from the government.

According to Refs. [6,41], the idea of ambiguity creates mimetic isomorphism practice [19,17]. mainly offered evidence that the models and institutional diversification impacted their decision to select a fitted model due to modern institutional structures that frequently have homogenous compositions. By focusing on ambiguous behavior in response to social explanation, mimetic isomorphism realized and observed the consequences of understanding [6]. For instance, mimetic pressure makes comparing waqf difficult in accounting and reporting among Malaysia's state Islamic religious bodies [26]. The normative isomorphism focuses on how the members of the same profession carry out their tasks uniformly across various organizations [6,41]. According to Ref. [26], normative pressures make providing uniform waqf accounting and reporting difficult in Malaysia. Isomorphism results from professional stress, social anxiety, or moral duties when professionals rely on normative practices and try to establish cultural norms consistent with their objectives and beliefs [9]. [24] demonstrated that political pressures, a high level of governmental interference, and political lobbying have less impact on accounting standards in Bangladesh than repressive, normative, and mimetic isomorphisms. Additionally, he pointed out that government agencies and accounting firms hold each other accountable for the flawed use of International Financial Reporting Standards [24]. Further [27], proposes organizations' regulative, normative, and cultural-cognitive foundations. The normative pillar concentrates on prescriptive, evaluative, and mandatory aspects of social life; the regulative post emphasizes rules and related procedures, and the cultural-cognitive post suggests mutual ideas that establish the nature of societal authenticity [27]. Three additional dimensions conceptualized the three elements in terms of delegation (the extent of the authority given to individuals to implement guidelines), obligation (the accountable steps to follow), and accuracy. The prediction is that the regulatory system will exhibit high requirements in these aspects while the normative system will exhibit low standards. The three-pillar framework

emphasizes the value of testing ideas and putting suitable measures in place [42]. These three pillars are interwoven but provide separate foundations of legitimacy [9]. Additionally, when institutional decision-making is necessary, these three pillars offer a foundation for analysis [43].

A further element of IT is organizational legitimacy, defined as consent granted by outside interested parties [e.g., 23, 24]. Using values, social beliefs, rules (including the legal environment), customs, and culture, in addition to financial incentives, the theory describes a theoretical framework by which researchers categorize and justify the influences that promote the existence and legitimacy of organizational practices [1,44,45]. Organizations survive in such situations on legitimacy. Organizational legitimacy, which serves as an anchor point for a vastly expanded theoretical instrument in IT, is the recognition of an institution by its outside oversight bodies and other authorities [6,8,46]. According to Ref. [47], corporate life depends not just on significant resources and technical information but also on the institutions' appearance of legitimacy.

Additionally, they clarify [48] the interpretation of legitimacy as a widely held belief about an entity's actions being appropriate, expected, or sound within a socially constructed framework of norms, morals, principles, and justifications. According to a particular party's perspective, a legal organization with sound operating principles aligns with the external party's principles and action expectations [49,18]. Additionally, as corporations work to implement legal practices or legitimize their current ones in front of other stakeholders, external societal, political, and financial pressures impact institutional decision-making processes and corporate policies [10].

According to Ref. [41], the institutional method is more of a cultural and political problem that signifies legitimacy and authority than efficacy. As a result, achieving legitimacy and belief is another crucial approach for Islamic banks, as efficiency is not their primary reason for existing. Governments and regulatory bodies are exerting various pressures on the Islamic banking sector in this situation. Nations and businesses can use particular SG practices to improve performance, spur economic progress, and gain social acceptance. Customers, businesspeople, the general public, and the government in Bangladesh now need more faith in the Islamic banking industry and SG structure [50,51]. They investigated the impact of SSB on legitimate identification inside the Sukuk (Islamic bond) structure in Shariah declarations. They discovered that the SSB considerably impacted revealing legitimacy identification in the Shariah declaration. According to Ref. [32], the SSB members' lack of independence has a detrimental effect on the Islamic banks' ability to operate by Shariah. Additionally, the centralized management of waqf properties cannot guarantee long-term legitimacy via the organizations, particularly those perceived as more legitimate or successful than others in the same field [6].

From an SG perspective [52,53], noted that the CG that the church sanctions would stimulate capital growth, replace robust markets, produce incentives to partake in value-maximizing conduct, and motivate choice and clarity [54,53]. further highlighted that a proper ethical framework is essential for creating an effective governance structure. Therefore, Islamic institutions can positively impact the development of SG practice [55,53]. The diversification from the Western notion, which indicates its epistemological orientation, is another aspect of SG. According to the compliance of a CG structure, registered corporations in Islamic nations always have the choice to abide by Shariah-constructed regulations in all general legal and financial functions. This choice is optional because it is in harmony with the CG code and does not contradict it. All the stakeholders who emphasized the cultural, cognitive, and normative elements of IT should accept the concept. IFIs acknowledged and oriented their persistence in providing banking and financial activities oriented toward Islamic principles [55,56,53]. The SG structure of Islamic banks is slightly unusual regarding Shariah principles since it should adhere to a particular set of laws based on the Holy Quran and the Sunnah, which encompasses the concepts of social justice and accountability [57]. In this instance, it creates a soft power relationship between the institutions and distinct macro/micro levels [56]. Normative pressures impacted internal and external sources (such as BOD, SSB, regulatory bodies, and the state itself). These normative forces encourage the execution of organizational policies, which are decided upon by the senior management [58,59]. Additionally, the SG structure outlines the formation of numerous committees, their composition, management, and the information-sharing patterns among them [60]. Therefore, this study aims to examine the real-world SG scenario of Islamic banks in a Muslim-dominated country, i.e., Bangladesh, through the lens of IT.

The legitimacy of political bodies that function according to the prevailing social norms and cultures [61]. Furthermore [62], contends that culture effectively withdraws and deters a government or institution's "agreements" and is unaltered for their presence if society's perceptions of their legitimacy. Furthermore, achieving legitimacy and faith is a new and crucial strategy for survival rather than just being effective [19].

It aims to define more fundamental aspects of how institutions created, maintained, changed, and postponed the negotiation with the pressures of IFIs on human behavior, comprising their practices, i.e., rules, norms, and standards for social behavior [19,17]. Many organizational logics for institutions and people present the associated parties in these organizational logics and respect the prejudiced independence of institutions and people. Furthermore, the associations between people and institutional setups produce accomplishments, valuations, and outcomes [19].

Prior research recommends that Islamic banks enhance their reputation and image based on the extent to which they comply with the Shariah guidelines because such compliance usually distinguishes them from their conventional competitors [19,63,55,33,64]. There are numerous normative (Islamic spiritual philosophies and values) and critical studies about the distinctiveness of Islamic governance frameworks. However, the concepts and principles dictated by the Islamic faith differ noticeably from the systems utilized in traditional CG [54,65,66]. For instance, traditional CG emphasizes institutional performance and profit-making, whereas SG solely concentrates on applying Islamic principles when using an SGF [19,55,33]. Furthermore [67], asserted that successful institutions gain legitimacy in the social order by caving to demands and using legitimization tactics to prove their appropriateness for societal and financial support.

By focusing on the ideas of "procedural," "figurative understanding," and "cultural legitimacy," [35] extended the discourse of IT to religious institutions. Additionally [35], said IT is comparable to and relevant to Islamic organizations' objectives. In contrast,

traditional corporate institutions tend to emphasize coherence and a public image emphasizing profit maximization. In this context, two angles described Islamic banks' "corporate image," such as the performative and institutional images based on IT [68,69]. Islamic banks can project an image that includes being Islamic, modest, fair, consistent, transparent (an institutional image), friendly, genuine, appealing, trustworthy, and protected (a performative image) [69]. Equally, the authors also discovered that an Islamic bank's institutional image is the primary concern, that they execute their banking operations by Shariah principles, and according to Ref. [69], Muslims choose Islamic banks primarily for reasons related to Shariah [70]. Investigated Saudi Arabian Islamic banks' corporate management, communication, and financial prospects. Additionally, the bank's name, reputation, privacy policies, friends' and families' recommendations, and the availability of quality services influenced the customers' decision in selecting a bank [19,30,32,55,33,71,72]. Accordingly, a study on the quality of service provided by Islamic banks in Malaysia concluded that compliance with SG was the most crucial metric for Islamic bank clients [73].

3. Methodology

A qualitative research method is applied to attain the research objective. Additionally, qualitative research aids in a better understanding of how individuals create their worlds, interpret their experiences, and share those experiences [74].

The researchers collect data for the current study using semi-structured individual interviews to confirm that previous research [e.g., 37, 38] extensive use of the semi-structured interview technique was effective. They interviewed various stakeholders for their study, including field specialists from Islamic banks, regulatory bodies, SSB members, executives from the Shariah department, and members of the SSB of different banks. The researchers use comprehensive coverage, considering all parties impacted by the SG and associated Islamic banking rules. The need to establish a complete picture of the SG practices motivates them to use the study strategy in the practices of Islamic banks in light of the various demands being put on them by multiple parties [such as 36, 39]. They use the term legitimacy in the study to assess Islamic banks' legitimacy, roles, and SG structures and practices. Previous research widely used the approach [e.g., 35, 40] to investigate the impact of the BOD and management on the SG guidelines of Islamic banks in Bangladesh. In the current study, they looked at how and why the respondents answered the questions in the light of earlier academic studies [e.g., 40, 41, 42].

The study includes diverse categories of respondents and divides the data-gathering procedure into numerous parts. First, they created a list of possible interview subjects with appropriate SSB participants for the research [75]. Seventeen respondents, including SSB members, Shariah executive officers, Islamic banking specialists, and regulators from Islamic banks and the central bank, participated in the individual interview. As previous relevant research recommended, a sample of 10 homogenous people is acceptable for a study based on a similar survey; the current research decided on a tiny piece [76]. Similarly [77], affirms the requirement is twelve to twenty respondents for a non-homogenous example, while five to eight participants are enough for a homogeneous group. Similar research undertaken by Ref. [30] on the independence and efficacy of SSB members used data collected from 17 respondents from various stakeholder groups associated with Islamic banking in a developing nation [78]. Finally, he reaches saturation by concentrating his research on 17 respondents on creating a centralized SGF for Bangladesh's Islamic banks. In conclusion, the current study uses an adequate research methodology and a sizeable sample to evaluate the hypotheses.

Next, respondents in the sample had to be familiar with real-world banking operations and pertinent SG practices to better understand Islamic banking norms. After identifying responders, each interviewee received a formal letter, and the researchers personally contacted each one. The researchers scheduled the total number of interview sessions over 1.5 months. Each interview ranged from 45 to 90 min, and they recorded the discussions on a mobile device. The researchers assured the respondents of privacy and confidentiality to spare them from complications and issues in the future. The study symbolically coded the respondents' replies to uphold their identities and privacy. For instance, they denoted regulatory responses as "RA" (Regulatory Aspects), SSB members and executives of the Shariah department as "SP" (Shariah Practitioners), and experts in Islamic banking and SG expertise as "E" (Experts). Table 1 shows the categories of respondents, the number of respondents in each category, and their corresponding codes.

The researchers converted the recorded interviews into written documents and independently verified them again to ensure accuracy and consistency. They do not discover any errors or anomalies throughout the data's coding, sorting, or transcription.

[79,80] used N-Vivo 10 extensively in earlier empirical investigations; the current research employs it as an open coding in the

Table 1
Sample breakdown.

SL	Code used	Position	Organization	Number of people
1.	RA# 1	Ex-Governor	Central Bank	1
2.	RA# 2	General Manager	Central Bank	1
3.	RA# 3	Executive Director	Central Bank	1
4.	SP#	Shariah Advisor, Sharia Department Executive	Islamic Bank	4
5.	SP#	SSB Member, Shariah Secretary	Islamic Bank	5
6.	E# 1	Academics	University	2
7.	E# 2	Chief Executive Officer (CEO)	Expert and Ethics Committee member of AAOIFI	1
8.	E# 3	SSB Member & Former CEO of Several Islamic Banks	Islamic Banking Consultant	1
9.	E# 4	Consultants	Islamic Banking and Financial Services	1
Total =				17

Source: Developed by the Authors

present study. Using N vivo software, the researchers organized and thematically tagged the interview transcripts [81]. They transcribed the conversation line-by-line to identify emerging themes and patterns in the data and put-up nodes (codes) fundamentally to represent the concepts found in the data. The researchers collected the nodes from the transcripts [82].

The researchers employ the categories in data analysis based on the components of other studies to create the pertinent theory [83, 84]]. Additionally, to verify accuracy throughout the above-discussed procedure, an N-vivo expert validated the steps and advised moving on to the next level, protecting data analysis and findings from interpretation. The following section illustrates the research's discussions and conclusions according to the data analysis.

4. Findings and discussions

The section presents the findings of the study. The research identifies five IT elements: isomorphism, cultural impact, legitimacy, institutional logic's influence, and institutional image. Earlier research extensively employed the five essential characteristics [for instance, 10, 51]. Fig. 1 indicates the five themes. Due to the limited resources in Bangladesh, the investigation discovered that every one of the Islamic banks developed and formed their specific standards to the IBBPLC principles. The central bank has an immediate impact on policymaking but does not put pressure on Islamic banks' behavior. Conventional bankers, bank boards, and non-Muslims exert pressure on policymakers and disrupt the operation of Islamic banks, leading to a crisis in the public perception. The study also discovered that the present political climate and the modern financial environment relate to the reputation crisis of Islamic banking.

The researchers discuss the main findings based on the categories under the themes presented in Fig. 1.

4.1. Isomorphism

Three significant themes formulated in the study are coercive, mimetic, and normative. Relate to the terms of isomorphism. However, most Islamic banks in Bangladesh follow the same principles and guidelines or directives (such as the Shariah handbook, audit inspection standards, secretariat organization, and training) of the "IBBPLC" while creating their own rules and instructions. As a result, the norms and regulations of all Islamic banks in Bangladesh are similar, indicating the presence of cultural-cognitive attitudes and mimetic pressure [30,32,85,86]. Furthermore, due to such a trend, Islamic banks are not competing with one another. The following opinion illustrates the actual situation:

"As far as I know, all Islamic banks in Bangladesh follow the practices of IBBPLC because IBBPLC is the first in Bangladesh. More specifically, they follow IBBPLC in preparing the Shariah manual, inspection guidelines, and the formation of the Shariah secretariat. They even follow IBBPLC's strategy for developing training mechanisms for their employees. They do not like competing to prove unique services, resulting in homogenous banking practices". [RA#1]

Islamic banks must comply with Shariah principles while under pressure from various stakeholder groups, consumers, and shareholders to obtain the desired profit [30,32]. Although the central bank does not pressure the banks to convert to or move towards Islamic banking, the regulators in Bangladesh have a direct and indirect impact on policies and operations. Respondents (E#1, 4; RA#1; SP#6, 7) also mention that these pressures originate from the government, political parties, rival Islamic banks, CEOs, and the public. They suggest the existence of a normative and coercive culture. The following responses indicated the suggestion.

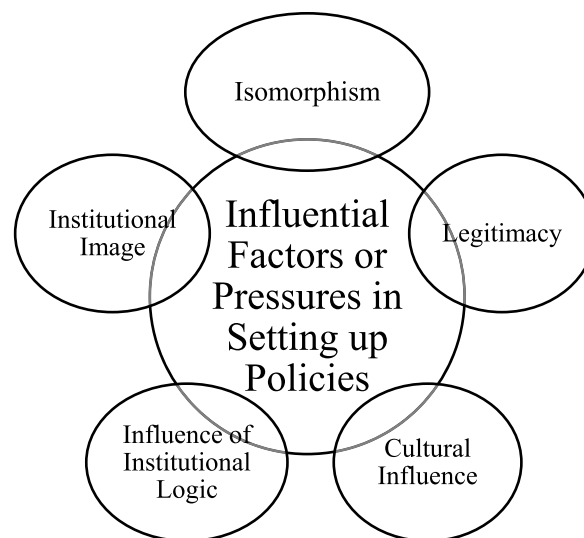


Fig. 1. Themes of influential factors in setting up policies.

Source: Developed by authors.

"We have to achieve the business target with Shariah's compliance. Yes, in the Bangladeshi context, the policy influences the operations." [E#1] "Every bank faces similar pressure from the society, politicians, and even the administration." [RA#1] "The central bank does not interfere with commercial or traditional banks that want to convert them into Islamic banks." [RA#1] However, the central bank can legitimately influence the regulations or policies, irrespective of the type of bank. We cannot ignore this." [SP#6]

However, considering traditional and Islamic banks, the researchers discover that secular individuals' and conventional banks' demands tarnish the reputations of Islamic banks in Bangladesh and throughout the world. SSB and Shariah scholars should thus take action to safeguard against such perceptions or moderate the influences. Notably, relevant parties (including Ulamas (religious experts), Shariah scholars, and clients) urge and advise Islamic banks to make sure that their operations are Shariah-compliant [32,86]. SP#1's observations, as presented below, clarify the situation:

"I would not say anything about Bangladesh because there are many parties who create pressure on Islamic banks. Moreover, conventional banks are trying to submerge, but the central bank does not like such reform." [SP#1]

The restricted functions of SSBs provide opinions, review documents, and deliver fatwas (decisions) on a pre-and post-product development and resolution basis. However, a few respondents (SP#2, 3, 5, 8; RA#2; E#3, 5) believed there was no pressure or coercion in setting up the pertinent policies. SSBs impartially express their thoughts. Additionally, the laws and policies of the current administration are advantageous for Bangladesh's Islamic banks. Moreover, the executive branch and the regulatory bodies give full support, as seen in other Islamic nations such as Malaysia, Sudan, and Iran. They have significantly better conditions for Islamic banking, as indicated below:

"We do not feel or see any pressure in this case." [SP#2] "Even there are no severe barriers on our way. [RA#2] Another respondent says, "Because the Shariah supervisory duty is restricted to providing opinions, reviewing the implementation process, and providing specific fatwas for introducing a particular product, there is no influence." [E#3]

The central bank provides rules so that all Islamic banks adhere to them to reduce uncertainty, improve procedures [30,32,85,86], and uphold social justice. It is crucial to the Islamic banking system to combat the pressures presented by the respondent.

"Although we prefer to comply with the guidelines, we do not like to be proactive ourselves in formulating our policy. So, in this context, the central bank should issue the required guidelines or policies which might be more effective." [E#1]

4.2. Legitimacy

The current SG rules, procedures, structures, and Shariah principles are the foundation for the regulators, professional bodies, and general public to legitimate Islamic banks. According to one of the professional respondents, Islamic banks are making every effort to implement Shariah principles. However, there are no Shariah environmental supports (specifically, there is no Shariah audit disclosure, and Shariah education is inadequate at the university level) [32,85,86].

"We can see that they are trying their best. They deserve appreciation. However, we cannot summarize or quote the percentage of Shariah compliance, which is challenging for us". [E#4]

Additionally, respondents from regulatory bodies (RA #1) said that Islamic banks' current policies, operations, and functions violate Shariah principles [30,32,85,86]. The Islamic Bank's social requirements and the authorities condoned these infractions and inappropriateness. Another Shariah practitioner claimed that due to the popularity and success of Islamic banks among the general public, conventional banks operate Islamic banking branches and windows. The acceptance proves nothing is more significant than having religious encouragement from friends and family members and religious belief, performance, and accountability to Allah on the Day of Judgment.

"Other than Islamic banks, they have many other Islamic banking branches, but they are not following the same strategy and do not maintain the same professionalism as a full-fledged Islamic bank." [RA#1] "As the people take Shariah and Islamic banking very positively in Bangladesh, conventional banks are also opening Islamic banking branches and windows along with their traditional banking branches." [SP#2] Moreover, it is also true that Islamic banks perform significantly better than conventional banks, which is undeniable." [SP#2] But another respondent argues that "Islamic banks are violating Shariah principles; the entire society accepted the diversity," primarily because there are psychological advantages to this. "Many people do not want to put their money in conventional banks because investors or depositors avoid the sins of interest." [RA#1]

According to prior research, most Islamic banks violate Shariah rules, present altered earnings in their statements, and improperly reveal financial information in their annual reports [30,32,85,86]. The SSB's certification that Islamic banks adhere to Shariah's norms and principles reveals the current disparities in Islamic banking operations. As a result, it is up to the government and additional regulatory organizations to take the initiative to solve these issues. They might study to find solutions to these issues and win the populace's trust. According to earlier research, Islamic banks should increase Shariah compliance to enhance their reputation and image [87,63]. However, Islamic banks must let their stakeholders know that they are working to mitigate the issues above and that they commit to maintaining the highest level of Shariah compliance possible. The researchers discovered the following identical viewpoint from one of our respondents:

"The development of Shariah resolutions and compliance is strongly handled in the IBBPLC." [SP#8] Other Islamic banks are compromising Shariah compliance in many respects, but they behave in such a way that they are 100 percent Shariah-compliant banks." [SP#7]

Later, the researchers gathered views about the reporting standards of Islamic banks from seasoned accountants as the banks disclosed audit reports to various stakeholders. One of the respondents, who has 34 years of professional and banking experience and is a Fellow of the Chartered Accountant (FCA), stated (E#5) that it is not feasible for Islamic banks to make public the level of Shariah breaches and non-compliance to protect the industry. The following opinion shows the details of audit compliance and the importance of monitoring Bangladesh's Islamic banking activities.

"The individual bank disclosed the audit report to the diversified stakeholders. The audit report seems appropriate, but another report, namely a management report, is given to the management by the auditor to make amendments or corrections to different issues in the infant stage. Suppose they disclose the non-compliance amount to the public; people investigate or highlight the negative side and try to hinder the development of Islamic banks and institutions. For correction purposes, the individual bank and management should take the situation seriously and make corrections. [E#1]

Despite several complaints, Islamic banks in Bangladesh demonstrated their reliability and effectiveness. Furthermore, earlier academic research shows that Islamic banks outperform conventional banks during global crises like pandemics and financial recessions [87,63]. The resilience of Islamic banks surpasses that of traditional banks. Additionally, the interest and credibility of non-Muslim clients are also a success for the commercial operations of Islamic banks. According to the respondents, more than 80 % of the most prominent and prosperous Hindu business people choose Islamic banks because of their commitment to moral ideals and ethical standards.

"In Bangladesh, Islamic banks proved their operational efficiency and management skills during the global financial crisis." [SP#6] Another surprising thing is the greater interest from other religious followers. Almost 80 percent of the large Hindu businessmen become the clients of Islamic banks due to the ethical values and principles of justice." [SP#6]

Many Islamic banks' SSBs emulate IBBPLC procedures, particularly when developing Shariah resolution and compliance, suggesting mimetic legitimacy. It is true that among all the Islamic banks in Bangladesh, IBBPLC is the most Shariah-compliant institution. Additionally, according to Refs. [88,55], IBBPLC's financial performance is superior to most traditional and other Islamic banks in Bangladesh.

4.3. Cultural influence

Respondents (E#2; 4, 5; SP#9) claim that culture, social norms, and associated laws have a substantial impact and are essential to the operation of Islamic banking operations and public policy formulation. There are various and distinct cultures and practices in multiple jurisdictions, and authorities take all stakeholders into account while establishing Islamic banking rules. Therefore, SSBs update their laws according to the Shariah instructions if the Islamic banks need to follow the present customs and procedures. The perspectives listed below help to explain the current situation:

"The culture influences conventional banking policy and Shariah banking as well. In preparing any policy, they look after the customs and social rules. If Shariah does not cover it, we must consider alternative solutions to prepare the guidelines." [SP#9] "Regarding governance, yes, being a community, every community has its norms, cultures, and themes." [E#5]

In addition, two participants from the administrative and expert sides claim that culture and society have an informal and limited effect on the formation of the SG structure. On the other hand, corruption in Islamic banks reflects the culture that pressures employees to draft policies that serve their interests rather than those in accord with Shariah law.

"Corruption is prevailing in Bangladesh, but informally in the banking sector in documentation, presentation of vouchers, and loan approval as well." [RA#1] "When we look carefully, we find that corruption prevails in every sector, including the Islamic banking sector. So, this is the true cultural reflection." [E#4]

As for the negative impacts of corruption, prior research [69,88,89] demonstrates an extremely high degree of corruption in political institutions. Additionally [69], explains why extremely high levels of crime result from weak governments that cannot control their agencies' operations. Bangladesh's dominant culture impacted the process of Islamic banks. Additionally, several variables might affect adherence to Shariah, including politics, the current practice environment, and people's social awareness, knowledge, and willingness. Normative pressure is evident in one of the applicant's responses, as indicated below.

"Yes, there are obvious factors that influence or mitigate Shariah compliance. It is not only for Shariah compliance but also for corporate governance. "Mainly the current political situation or the interference of politicians is broadly responsible for the interruption of governance compliance in Islamic banking operations." [E#4]

4.4. Influence of institutional logic

Institutional logic influenced Islamic banks to start charitable organizations, hospitals, schools, technical institutes, and other social

endeavors. Environmental issues have become a concern for Islamic banks [85,86]. They set up a “tree plantation” initiative to demonstrate their care in improving the environment’s aesthetic appeal as one of the Millennium Development Goals. One of the replies clarifies that Islamic banks are distinct in terms of BOD creation, independence, and functions about their comparable institutional impacts. Therefore, there is no internal pressure; instead, the regulatory agencies or the customers are the ones applying the pressure. They cannot alter the policies in this situation, depending on the more significant profit achieved by the other institutions. The researchers also discovered that all Islamic banks adhere to IBBPLC [55] when regulating routine banking operations, highlighting the severity of the dominant mimetic culture in the Islamic banking sector [6,27,30,48,32,85,86].

“I don’t think so. This is because every bank is different and independent, and the board of directors runs them. So, if you say pressure or influence, it must come from the regulatory body or the customer.” [E#4]

4.5. Institutional image

Prior studies described the corporate image of an Islamic bank from two perspectives: the performative image viewpoint and the IT perspective [68]. Since Islamic banks follow Islamic concepts in their operation, their institutional image tends to be modest, equitable, consistent, and transparent. On the one hand, the picture conveys warmth, integrity, and dependability (performative photos). On the other hand, the institutional image of Islamic Banks is the main issue. Islamic banking activities adhere to Shariah principles, and Muslims primarily choose Islamic banks for religious reasons. The perception of Islamic banks is improving in Bangladesh and will continue to do so. Islamic banking is becoming increasingly popular among non-Muslims due to its moral principles, correct procedures, services, and dedication. Islamic banks also offer excellent financial protection. In conclusion, Islamic banks have more extraordinary fiduciary relationships with their clients than regular banks, which supports the legitimacy of the populace.

“So many non-Muslims are the borrowers of the Islamic banks; many non-Muslims are the policyholders of Islamic insurance companies. The protection of the policyholders’ and the depositors is much more guaranteed in an Islamic organization.” [E#2]
 “People in Bangladesh use Islamic banks to conduct their banking not only because of the Islamic doctrine but also because those institutions uphold the principles of justice, ethics, and commitment. Because of these reasons and commitments, they come to Islamic banks.” [SP#6]

When individuals are concerned about the financial system and the application of Shariah, the negative perception of Islamic banks obliterates the reputation of the whole business. In certain instances, Islamic bank staff engage in illicit activity (such as fake documentation and representation of fake vouchers without proper transactions and loan approval). At the same time, the management is unwilling to verify their operations using a Shariah audit. The Islamic banks have a terrible institutional reputation as a result of this.

“They are saying that this is Islamic, but practically it’s not Islamic.” [E#2] “But the problem is that they are employees of these organizations. Therefore, if some departmental heads are unfair, which is serious, management is not keen on that matter. Surprisingly, they give the excuse that they cannot bear the cost of the Shariah audit. Also, they force staff to inspect and let them prepare a report. If this is the case, what will happen? They will be in the name but not at work”. [E#2]

According to Ref. [68], performance and institutional image should be critical factors in evaluating Islamic banks’ accomplishments. An anonymous reply claims that if a specific Islamic bank violates Shariah principles, it is evidence of a breach of the Islamic banking environment, which illustrates the case of non-compliance. The infringement undermines social justice and shows that their focus is maximizing money. The opinions below demonstrate the optimal expectation:

“One more essential requirement in Islamic banking is that Islamic banks have to reflect a definite impact on the economy to ensure social justice and poverty reduction.” [E#3]

Additionally, Islamic banks cannot participate in a wide range of projects due to the restrictions imposed by Shariah laws and regulations to maintain Shariah compliance. The ability of Islamic banks to maintain efficiency and effectiveness throughout the global economic downturn is a testament to their symbolic status [19]. The following practitioner’s view provides more clarification:

“We cannot invest in all sectors because if we invest in all sectors, the non-compliance rate will increase. To reduce such violations, Islamic banks avoid reckless investment in different projects. [SP#6] However, we can claim that Bangladeshi Islamic banks proved their efficiency and played a significant role even during the global financial crisis periods.” [SP#6]

The management’s reputation in Bangladesh would improve if the organization emphasized Shariah rules and corrected the inflections. Furthermore, violations of Shariah regulations in several areas, such as overseas transactions and associated payments, damage the institution’s reputation. Safeguarding their organizational and corporate reputations is undoubtedly tricky and crucial for Islamic banks. The Shariah adherents expressed their feeling on the general situation:

“If the managers of the banks remain strict about compliance, clients/customers will be bound to follow the same. [SP#6] “So, if the Islamic banking institutions or corporations do not follow the SG, they have no right to use the label “Islamic banking” in their banking process. “They can never be considered an Islamic institution or bank.” [SP#7]

Furthermore, Bangladesh shows concern on the issue of whether or not Islamic banks are completely Islamic by casting questions on Islamic banks’ reputation among institutions. Additionally, according to Ref. [18], the bulk of Islamic banks often break Shariah laws and make questionable profits, impairing the industry’s overall reputation. Furthermore, as Shariah governed the Islamic banks’

operations, only Shariah principles create a unique institutional identity. One of the Shariah practitioners provided the following response to our question:

“Currently, they are raising reliability questions regarding Islamic banking practices and whether they are Islamic. [SP#7] “To be a part of the Islamic banking systems, banks must follow Shariah guidelines completely, or else, regard them as conventional banks.” [SP#9]

As a result, the corporate social responsibility (CSR) initiatives create a new institutional identity for Islamic banks based on social justice. As a result, the Bangladeshi central bank ordered all banks to allocate at least 5 % of their revenue to CSR funds.

5. Conclusion

The study’s primary purpose is to investigate how organizational legitimacy and isomorphism affect Islamic banks in Bangladesh while using IT in their daily operations. According to the study’s findings on regulative isomorphism, Islamic banks are under pressure from administrations, regulators, and the government. Such a situation is compatible with the premise of isomorphism. IBBPLC’s manuals, rules, and procedures about the Shariah audit and secretariat formations govern all Islamic Banks in Bangladesh, showing a mimetic or cultural-cognitive isomorphism. Additionally, the research discovers that pressure on SSB, particularly during the formulation and execution of policies, is brought on by bankers, their unfavorable views, and the cultures of corruption. Additionally, normative pressure in the current study includes the practice environment as it already exists, social awareness, understanding, willingness, and accountability of BOD towards the populace about Shariah compliance with policymaking.

Socio-political requirements regulation and corruption [90] influenced SG guidelines and implementation formulation. Therefore, the violations of the principles of Shariah and resulting illegitimate income raise concerns in the minds of the various stakeholders in Bangladesh. As a result, through their CSR activities as a concept of social justice, the Islamic banks of Bangladesh established a distinctive institutional image in the broader banking sector [27,90]. In Bangladesh, Islamic banks demonstrated their operational efficacy. Notably, the Islamic banking system is becoming increasingly widespread in many nations due to higher legitimacy and confidence, including from non-Muslim customers, due to better performance.

The current study contains several additions to the literature and policy implications. First, the study is helpful for regulators of Islamic banks to mitigate the pressures and improve the legitimacy and image of the concerned stakeholders. In addition, the findings reduce the forces in the current practices. By considering corporate culture, national mythology, and the demands put on the efficient execution of SG plans by various authorities, regulators could create and maintain a successful SGF for the Islamic banking and financial sector. The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), the Islamic Financial Services Board (IFSB), and the governments and regulators of other countries that practice Islamic banking can use the study’s findings to develop SG guidelines or modify already-existing SG guidelines to improve the current environment. Additionally, our analysis shows that IT appropriately accounts for regional variations in governance procedures.

Third, by concentrating on the isomorphism issue, the study enables a thorough knowledge of the internal structures and the pattern of action taken by Islamic banks, thereby contributing to the creation of the overall image of Islamic banks. Fourth, the study shows how the performative idea influenced the “institutional image,” which also affects the rate of organizational development. Islamic banks should also monitor good SG norms and dispel stakeholder misunderstandings to safeguard their reputations. Thus, Islamic banks could use appropriate media activities to refute accusations against them.

Fifth, prior studies define ‘institutional logics’ as the guidelines and deeds of people who connect macro-structural outlooks with micro viewpoints [6,8,86]. As a result, regulative, normative, and cultural-cognitive systems play a crucial role in the manager’s activities affecting the current organizational environment [27]. However, the lack of such SG structures in Bangladesh leads to regulatory gaps and misunderstandings among stakeholders, industry experts, banks, and IFIs [30,51,32]. Unfavorable legitimization damaged the reputation of the Islamic banking sector in Bangladesh. As a result, SGF is extremely important and requires quick regulatory action to flourish in Bangladesh’s circumstances. In conclusion, regulators and Islamic banks should increase societal legitimacy by raising the standard of Shariah compliance. However, political pressure, banking environment changes, cultural constraints, and demands from other stakeholders hindered the implementation of Shariah rules.

Lastly, some caveats of the current study include the confined context of Bangladesh. Hence, readers should take caution in generalizing the present study’s findings in other jurisdictions. Second, the study does not cover different alignments, such as power and cultural divergence, in the context others consider [91–93]. Thus, future scholars may consider IT in various facets of Islamic finance, including Islamic cooperatives, Islamic insurance (Takaful), Islamic microfinance, and Islamic non-bank financial organizations. Finally, the study does not consider a Shariah audit. Therefore, future researchers could explore the Shariah audit. Future researchers could also examine how IT validates the effects of national laws, government regulations, and policy on creating a broad centralized SGF. It would offer insightful information on the parallels, divergences, and potential for governance standardization in the Islamic world. Future researchers can focus on loan loss provision and recovery performance of Shariah-based banks relative to conventional banks. In addition, interested researchers can see the influence of politicians in SSB. This is because prior research shows that political connected banks experience liquidity crises leading to greater risk of default. Future researchers can explore the role of SSB in minimizing such liquidity crisis. Finally, interested researchers can conduct a longitudinal analysis to see the performance trend over different government regimes as Bangladesh has experienced three types of governments in last 15 years. We believe such varied governance can also affect the banking sector significantly and which attracts future research. As the rules and regulations, market environment as well as religious beliefs and culture differentiate the SG guidelines and policies, future researchers can explore SG in the lance of IT in different Muslim and non-Muslim countries.

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CRediT authorship contribution statement

Md Kausar Alam: Writing – review & editing, Writing – original draft, Methodology, Formal analysis, Data curation, Conceptualization. **Muhammad Shahin Miah:** Writing – review & editing, Writing – original draft.

Declaration of competing interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

Appendix. (Questionnaire)

- i. Are there any factors or pressures that might control the organization in setting up the policies, and can you give more details? Procedures?
- ii. Is there any role culture or society plays in setting up the rules or implementing/applying Shariah governance in Bangladesh?
- iii. How do Islamic banks influence the content and meaning of law among public legal institutions?
- iv. How do Islamic banks influence the meaning of legislation and regulation through intermediary organizations?
- v. How do competing institutionalized logics in the Islamic banks' field shape the nature of Islamic banking regulation?
- vi. How do you legitimate Islamic banks, their functions, Shariah governance structures, and practices?

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