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Analysis of Standard Regulatory Framework for the Islamic Banking System in Muslim Countries: A Comparative Analysis between Bangladesh, Malaysia and Saudi Arabia

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Studies have examined the regulatory framework in some Muslim countries. Less attention is given to exploration of the standard regulatory framework in predominant Muslim countries, such as Bangladesh, Malaysia and Saudi Arabia. The primary objective of this paper is to investigate the standard regulatory framework (SRF) for the Islamic banking system in Bangladesh, Malaysia and Saudi Arabia; by empirically employing a psychometric approach. A quantitative research method was employed. The population comprised promoters of Islamic banking and the researcher used convenient sampling in distributing 180 survey questionnaires online to the promoters of the Islamic banking system in the selected three countries (Bangladesh, Malaysia and Saudi Arabia) to collect data for this research. 169 questionnaires were used for final analysis. Analysis of variance were used via statistical package for social science (SPSS) version 16.0 for data analysis. Six different dimensions of standard regulatory framework (SRF) were identified in this research paper. The findings from analysis of variance (ANOVA) showed that the large F ratio obtained on each variable indicated that, there were more variances among promoters of Islamic banking in Bangladesh, Malaysia and Saudi Arabia. This implies that, the respondents are acquainted with factors of standard regulatory framework for Islamic banking. In conclusion, the effective and efficient provision of a framework for standard regulation would promote the Islamic banking system in the selected three countries in particular and in the Muslim countries in general. It is therefore recommended that, the provision of standard framework for the operation of the Islamic banking system (expected to be Shar'iah-Compliant) must be constantly reviewed in order to promote best practices specifically in demonstrating the viability of the Islamic banking system across the Muslim countries.

Key words: *Islamic Banking System, Regulatory Framework, Shar'iah-Compliant.*

Introduction

It is noteworthy to say that theoretical assumptions are no longer viable in establishing a standard regulatory framework for the Islamic banking system in predominant Muslim countries. Similarly, less focus is given to an empirical exploration of a standard regulatory framework (SRF) for the Islamic banking system in the Muslim countries. This is in spite of the viability of the Islamic banking system in addressing multifarious socio-economic problems has been explicated in the literature.

Although, most Muslim countries, such as Kuwait, UAE and Bahrain, have been trying to provide a regulatory framework for Islamic banking, the extent of standard regulation remain unexplored empirically in the existing body of knowledge in the context of Bangladesh, Malaysia and Saudi Arabia.

In other words, it is not doubtful to posit that Bangladesh, Malaysia and Saudi Arabia have been trying to seek an Islamic-based regulatory framework; nonetheless, despite the fact these countries are predominantly populated by Muslims; there is yet to be provided a comprehensive regulatory framework grounded with empirical basis. Since there are similar experiences among the aforementioned countries (Bangladesh, Malaysia and Saudi Arabia) with respect to the operation of Islamic banking; it is essential to analytically and comparatively investigate standard regulatory framework (SRF) for the Islamic banking system by empirically employing a psychometric approach.

First, Bangladesh is one of the most predominantly Muslim countries in the entire world. The country has been trying to operate Islamic banking for a few decades. For instance, Shamil Bank of Bahrain is the largest Islamic bank in the entire world and the branch of this bank had been in operation in Bangladesh since 1998 (Ahmed, 2004). In spite of the operation of Islamic banking in the country, there is no Islamic Banking Act meant to regulate and supervise the activities of Islamic banking. Thereby, the operation of the Islamic bank is still under the Central Bank of Bangladesh (CBB), whereby regulations meant for conventional banks are still being used for Islamic banks. It is not doubtful to say that the underlining philosophy of both conventional banks and Islamic banks are completely different. Hence, it should be reiterated that there is a need to establish an independent unit under the Central

Bank of Bangladesh (CBB) whose primary responsibility is to handle the activities of Islamic banks in line with *Sharīʿah* compliance.

Second, Malaysia has been growing in terms of evolvement of Islamic banking and finance. Literature contends that there was an enactment of Islamic Banking Act of 1983 which was passed into law by the Parliament before establishing and operating the Bank Islam Malaysia Berhad, in 1983. Consequently, there are different authorities that provide regulations for Islamic banking in Malaysia such as the Central Bank of Malaysia (CBM), popularly known as Bank Negara Malaysia (BNM), and the Security Commission of Malaysia (SCM). More specifically, the BNM in 1993 came up with an interest-free banking scheme which offered a permission to the licensed banking institution to operate Islamic banking using the existing facilities and network (Hjh Abd Jabbar, 2009). As part of progress, with regard to the provision of guidelines in regulating the activities of Islamic banking in Malaysia, in 2005, BNM provided guidelines to the *Sharīʿah* Committee which is regarded as BNM/GPS 1. Similarly, there was another issuance of guidelines pertaining to the Disclosure of Reports and Financial Statements of Islamic Banks referred to as BNM/GPS8-i.

Third, the Banking Control Law of 1966 empowered the Saudi Arabian Monetary Agency (SAMA) to provide supervisory and regulatory guidelines for the activities of Islamic banking in the country (Alshamrani, 2014). Shar'iah compliance is the core principle of Islamic banks. However, there is no cohesive interpretation of *Sharīʿah* principles. It is based on this assumption that an inference can be drawn that, there is no integrated regulatory framework for Islamic banking in Saudi Arabia despite the existence of the Banking Control Law (BCL) and the Capital Market Law (CML), as literature expounds (Alshamrani, 2014).

Conceptual Framework of the Study

Indeed, Islamic banking and finance has been growing for a number of years and it has been expanding in scope, structure and framework. Literature has provided geographical distribution of Islamic banking as follows: Bahrain (14%), Iran (4%), UK (9%); Pakistan (4%); USA (6%); UAE (7%); Saudi Arabia (4%), Kuwait (7%); Malaysia (16%) and others (29%). Going by these statistical figures, it is explicit to say that Malaysia is fast growing compared to Saudi Arabia and Bangladesh.

Based on this background, it could be posited that, there are many efforts especially by Islamic Development Bank (IDB) in providing regulations and supervisions for Islamic banking and finance. More importantly, the existing regulatory framework and standardization agency are: Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI); the Islamic Finance Board (IFSB); the International Islamic Rating

Agency (IIRA), the Islamic Research and Training Institute (IRTI) and the International Sharia Research Academy for Islamic Finance (ISRA), as literature expounds (Pearce, 2013).

Furthermore, compartmentalization of regulatory framework is conceptualized in this study by examining different factors namely: Operation of Islamic Banking (OIB); Bank Control Law (BCL); Profit-Loss Sharing (PLS); Interpretation of *Shar'iah* Principle (ISP); Interest-Free Scheme (IFS) and Mobilization of Investment Resources (MIR). Each of this is examined in the subsequent paragraphs.

First, as part of Operation of Islamic Banking (OIB), Islamic banks' operation and function is their active participation in partnership business. Similarly, social service especially the collection and distribution of *Zakah* is considered as part of operation of Islamic banks. It should be reiterated that, Islamic banks is multipurpose institution because their activities are wider compared to conventional banks (Ahmed, 1999).

Second, the Bank Control Law (BCL) is an important regulatory framework that this study has examined. Literature says that, the Bangladesh Bank regulates the Islamic banking sector; the Securities and Exchange Commission regulates the Islamic capital market sector while the Insurance Development & regulatory Authority regulates the *takāful* sector (Ahmad and Kabir, 2007; Ahmad, 2001). In addition, literature posits that Saudi Arabia has had BCL since 1966, which provides an empowerment Saudi Arabian Monetary Agency (SAMA) which supervises the banking sector in Saudi (Alshamrani, 2014). It is important to reiterate that most Muslim countries, such as Bangladesh, Saudi Arabia and Malaysia, have an Islamic banking Act which regulates the activities of Islamic banking (Hjh Abd Jabbar, 2009).

Third, Profit-Loss Sharing (PLS) is another important predictor of standard regulatory framework examined in this paper. Literature contends that Islamic banks have discretion to fix their profit and loss sharing (PLS) ratios under indirect monetary policy (Archer, Karim and Sundararajan, 2010). Nonetheless, there is a need for guidelines on the Disclosure of Reports and Financial Statements of Islamic Banks. It is not doubtful to posit that the *Shar'iah* Board or the *Shar'iah* Advisory Council has an important role to play in determining profit-loss sharing by Islamic banks. It should be reiterated that, Islamic banks should be based on profit-loss sharing on joint business partnerships not on the utilization of loans for financing the business of their customers, like conventional banks (Ayuba, 2007). In spite of this, it is not disputable to say that are aspects of the agreement in terms of transactions between Islamic banks and conventional banks with respect to profit-loss sharing.

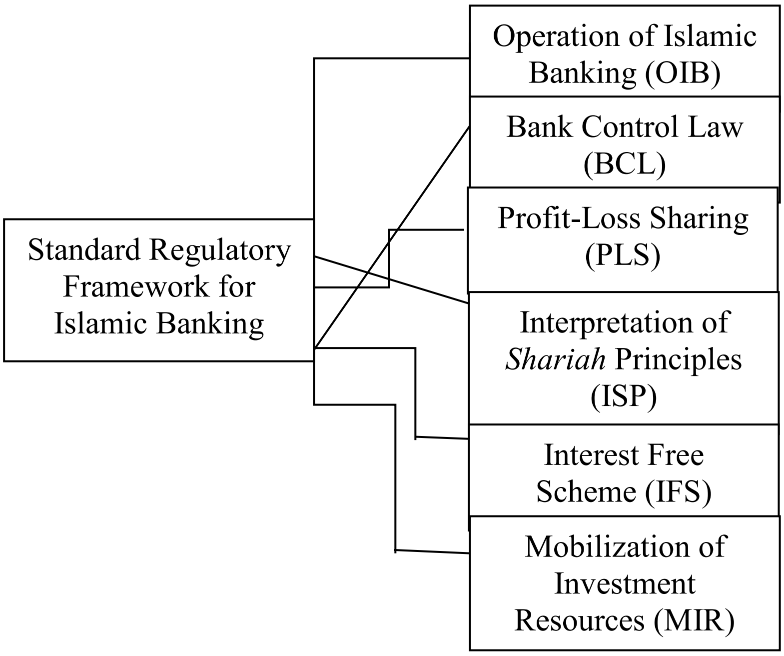
Fourth, Interpretation of *Shar'iah* Principle (ISP) is another underlining factor of the regulatory framework examined in this study. It is not deniable to posit that, transactions in

Islamic financial systems are expected to be in conformity with *Shar'iah* principle (Dar, 2011). In other words, the major challenge facing Islamic banking and finance transactions is the lack of integrated interpretation of *Shar'iah* principles. Onwards, the role of the *Shar'iah* Board or the *Shar'iah* Advisory Councils, which is authorized to have the final decisions on the interpretations of *Shar'iah* principles (Simon and Rifaat, 2007). Nonetheless, there are areas of agreement as well as disagreement in terms of transactions between Islamic banks and conventional banks. For instance, Islamic banks just like conventional banks allow deposits for transactions and savings; unlike conventional banks, Islamic banks do not utilize loans for financing the business of their customers; instead, the Islamic banks promote leasing and joint business partnerships. More so, it should be reiterated that, it is essential to address the challenge of a lack of consensus of opinions among Muslim jurists interpreting *Shar'iah* principles relating to financial transactions which can consequently lead to risks of operation by Islamic banks. As a result, unanimous interpretations of *Shar'iah* principles through intellectual discourse would provide or serve as a guide for the expansion and relevance of *Shar'iah* tenets in order to promote the operations of Islamic financial transactions.

Fifth, Interest-Free Scheme (IFS) is also investigated in this paper. It is reiterated in the literature that, Islamic banking as an interest-free banking scheme should be given a license to operate by utilizing existing facilities (Asad, Sarfaraz, AbdulQadir and Raja, 2015). However, the interest-free scheme should not be misconstrued with *murabaha* and the practice of usury by conventional banks. It is not doubtful that, the concept of *murabaha* under Islamic banking is different from bank loans under conventional banks. Thus, it is indisputable that, the Interest-free scheme of Islamic banks promotes Islamic banking and finance in Muslim countries in general.

Sixth, mobilization of investment resources (MIR) is another conceptualized factor to examine the standard regulatory framework for Islamic banking and finance. The Islamic banks are expected to mobilize resources for investment. This is so because, it is comparatively difficult to borrow money from the money market as literature expounds (Ahmad and Kabir, 2007). Figure 1 shows conceptual framework of standard regulatory framework used in this paper:

Figure 1: Conceptual Framework Standard Regulatory Framework of the Study Coined from: Ahmad & Kabir, 2007; Archer & Karim, 2009; Siti Faridah, 2009; Archer, Karim & Sundarajan, 2010; Zulkifil, 2010; Al-Shamrani, 2014; Asad, Sarfaraz, AbdulQadir & Raja, 2015)



Methodology

This section presents the methodology used in this paper. A quantitative survey research design is used. The population of the study comprised promoters of Islamic banking among Bangladeshi, Malaysian and Saudi Arabian citizens. Pertaining to the sample, convenient sampling being elucidated in the literature (Creswell, 2005) was used to select 180 respondents among promoters of Islamic banking via an online platform meant for Islamic banking and finance. However, the total number of 169 questionnaires were used for the final analysis. The instrument used for this research is the "Survey Questionnaire for Standard Regulatory Framework for Islamic Banks" (SQSRIB).

More so, the instrument contained 30 items measuring six (6) underlining dimensions of standard regulatory framework. The underlining dimensions are: Operation of Islamic Banking (OIB)=5 items; Bank Control Law (BCL)=5 items; Profit-Loss Sharing (PLS)= 5 items; Interpretation of *Shar'iah* Principle (ISP)= 5 items; Interest-Free Scheme (IFS)= 5 items and Mobilization of Investment Resources (MIR)= 5 items. A 5-point Likert scale namely: 1=strongly disagree (SD); 2=disagree (D); 3=undecided (UN); 4= agree (A) and 5= strongly agree (SA) were used.

On one hand, the validity of the instrument was done by seeking the opinions of the experts in the field of Islamic banking and finance. On the other hand, reliability of the instrument was done by reporting internal co-efficiency of Cronbach's Alpha which are as follows: OIB= .681; BCL=.761; PLS=.789; ISP=.689; IFS=.765 and MIR=.711. Regarding the data analysis, one-way analysis of variance (ANOVA) was employed to compare to variance between Bangladesh, Malaysia and Saudi Arabia. In running the analysis, research ensured that there was no missing data as literature expounds (Pallant, 2011).

Presentation of Data and Findings

The findings of collected data were presented in this section. The descriptive statistics were employed using tables, frequencies and percentages. Similarly, analysis of variance (ANOVA) was employed for the comparative analysis with regard to the standard framework for Islamic banking and finance in Bangladesh, Malaysia and Saudi Arabia. Thereby, different sections are presented as contained in the questionnaire. The demographic information of the respondents was presented. Statistical analyses were employed.

Respondents' Demographic Information

This part presents demographic information of the respondents among promoters of Islamic banking and finance with specific attention of the standard framework for Islamic banking in different Muslim countries (Bangladesh, Malaysia and Saudi Arabia). Hence, frequency and percentages were employed to analyse the respondents' demographic information. Various demographics used were gender, age, citizenship and specialization. Each of these is presented in the subsequent paragraphs.

First, it was shown from the gender that the majority of respondents were males (121 or 71.6%) while females numbered 48 or 28.4%. This showed that males were predominant in promoting Islamic banking and finance in different parts of Muslim countries.

Second, the responses obtained from the respondents showed that the age of majority (i.e. 54 or 32.0%) were between 31 and 35 years old. This is followed by the respondents (53 or 31.4%) whose ages were between 41 and above. Onwards, 42 or 24.9% were between 36 and 40 and just only 20 (11.8%) were 25 and 30.

Third, regarding the citizenship of the respondents, the majority (73 or 43.2%) were from Saudi Arabia, 60 (35.5%) were from Malaysia; 36 (21.3%) were from Bangladesh. Table 4.1 shows the respondents' demographic information.

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Table 4.1: The Respondents' Demographic Information

Demographic Information	Frequency	Percentage (%)
Gender:		
a. Male	121	71.6%
b. Female	48	28.4%
Total:	**169**	**100%**
Age:		
a. 25-30	20	41.8%
b. 31-35	54	32.0%
c. 36-40	42	24.9%
d. 41 & Above	53	31.4%
Total:	**169**	**100%**
Citizenship:		
a. Bangladesh	36	21.3%%
b. Malaysia	60	35.5%
c. Saudi Arabia	73	43.2%
Total:	**169**	**100%**

Comparative Analysis of Standard Regulatory Framework using Analysis of Variance

This part presents the data analysis using the one-way analysis of variance (ANOVA) in order to compare the variance between Bangladesh, Malaysia and Saudi Arabia as well as to identify differences between groups of variables (Operation of Islamic Banking (OIB); Bank Control Law (BCL); Profit-Loss Sharing (PLS); Interpretation of *Shar'iah* Principle (ISP); Interest-Free Scheme (IFS) and Mobilization of Investment Resources (MIR) as well as to variability that exist within each of the identified groups (Bangladesh, Malaysia and Saudi Arabia. Thus, F ratio is calculated because Pallant (2011) specifically mentions that a large F ratio shows more variability between the groups compared to within each group.

It is thereby asserted that, the variance between citizenship of the respondents is examined in relation with the six hypothesized variables of this paper (Operation of Islamic Banking (OIB); Bank Control Law (BCL); Profit-Loss Sharing (PLS); Interpretation of *Shar'iah* Principle (ISP); Interest-Free Scheme (IFS) and Mobilization of Investment Resources (MIR). In addition, variance within each factor is also explicated. Literature argues that certain criteria should be considered while using ANOVA. For instance, Pallant, (2011) posits that, F ratio is calculated which is represented by the variance between the groups divided by the variance within the group. As a result, it is said whereby there is a large F ratio, it shows that there is more variance between the groups than within the groups. It can be inferred that, the statistical significance of F ratio resulting to equal means of the sampled respondents do not show the extent of the difference between the groups (Bangladesh, Malaysia and Saudi Arabia) as respondents selected as promoters of Islamic banking and finance. Likewise, the researcher takes the test of homogeneity of variance which is an assumption to examine whether the variance in scores are the same for each group. It is noted that Leven's test of homogeneity of variances is said to be greater than .05. Similarly, in the ANOVA output, it is noted that, there used to be statistical significance if the significant value is less than or equal to .05, it is an indication of statistical significance.

Results of One-Way ANOVA on Operation of Islamic Banks (Between-Groups)

A one-way-ANOVA was used to examine the citizenship and operation of Islamic banks (OIB) in the selected three Muslim countries. The finding showed that, there is a statistically significant difference at the $p < .05$ level score in citizenship and operation of Islamic bank, the F (12, 169), =0.982] and its significant level is .469 and $p > .05$. From F and P values, it is shown from the results that, the large F ratio (0.982) indicated that, there is more variance between the respondents among promoters of Islamic banking. Thus, an inference is drawn that, the statistical significance of the p and F values shows variance between and within groups. Table 1 illustrates One –Way ANOVA Table between Citizenship and Operation of Islamic banking:

Table 1: One –Way ANOVA Table between Citizenship and Operation of Islamic Banking

Citizenship/Operation of Islamic Banks	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	8.038	12	.670	.982	.469
Within Groups	106.447	156	.682		
Total	114.485	168			

Results of One-Way ANOVA on Bank Control Law (Between-Groups)

One-Way ANOVA was conducted on citizenship and bank control law (BCL). The result shows a statistically significant difference between citizenship and bank control law at p. <.05 [F (6, 169) = 1.931, p<.05]. It can be deduced from the result that the large F ratio (1.931) that, there is more variance between the responses obtained from the promoters of Islamic banking with regard to the standard regulatory framework in selected three countries (Bangladesh, Malaysia and Saudi Arabia) whereby the variance on the two variables within and between groups. Table 2 shows One –Way ANOVA Table between citizenship and bank control law (BCL):

Table 2: One-Way ANOVA on Citizenship and Bank Control Law (Between-Groups)

Citizenship and Bank Control Law (BCL)	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	7.639	6	1.273	1.931	.079
Within Groups	106.846	162	.660		
Total	114.485	168			

Results of One-Way ANOVA on Profit-Loss Sharing (Between-Groups)

It is noteworthy to say that, One-Way ANOVA was used on citizenship and profit-loss sharing with regard to the practice of standard regulatory framework for Islamic bank in selected Muslim countries (Bangladesh, Malaysia and Saudi Arabia). There is a statistically significant difference between citizenship and profit-loss sharing among the countries at p. <.05 [F (1.308, 169) = 2.31, p<.05]. It can be inferred that the result of large F ratio (1.308) shows that, there is more variance between the promoters of Islamic banking and finance with respect to standard regulatory framework. This is so because the variance on citizenship and profit-loss sharing within and between groups are shown. Table 3 shows One –Way ANOVA between citizenship and Profit-Loss sharing:

Table 3: One –Way ANOVA between Citizenship and Profit-Loss Sharing

Citizenship and Profit-Loss Sharing	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	8.752	10	.875	1.308	.231
Within Groups	105.734	158	.669		
Total	114.485	168			

Results of One-Way ANOVA on Interpretation of Shariah Principles (Between-Groups)

One-Way ANOVA was conducted on citizenship and Interpretation of *Shar'iah* Principles based on the responses obtained from the respondents among the promoters of Islamic banking and finance. There is a statistically significant difference between citizenship and Interpretation of *Shar'iah* Principles at p. <.05 [F (1.354, 169) = 1.354, p<.05]. It is not arguable to say that the large F ratio (1.354), it is showed that, there is more variance between the responses from the selected sample (n=169) whereby the variance on citizenship and Interpretation of *Shar'iah* Principles were shown within and between groups. Table 4 shows One –Way ANOVA Table between citizenship and Interpretation of *Shar'iah*:

Table 4: One –Way ANOVA Table between Citizenship and Interpretation of *Shar'iah* Principles

Citizenship and Interpretation of *Shar'iah* Principles	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	9.038	10	.904	1.354	.206
Within Groups	105.447	158	.667		
Total	114.485	168			

Results of One-Way ANOVA on Interest Free Scheme (Between-Groups)

One-Way ANOVA was used on citizenship and interest free scheme. There is a statistically significant difference between citizenship and interest free scheme at p. <.05 [F (12, 169) = 1.220, p<.05]. It is noted from the finding that the large F ratio (1.220), it is indicated that, there is more variance between the data collected from the selected sample (n=169) whereby the variance on citizenship and interest free scheme were shown within and between groups. Table 5 shows One –Way ANOVA Table between citizenship and interest free scheme:

Table 5: One –Way ANOVA Table between Citizenship and Interest Free Scheme

Citizenship and Interest Free Scheme	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	9.821	12	.818	1.220	.274
Within Groups	104.664	156	.671		
Total	114.485	168			

Results of One-Way ANOVA on Mobilization of Investment Resources (Between-Groups)

A one-way-ANOVA was conducted to assess citizenship and mobilization of investment resources. The result shows that, there is a statistically significant difference at the p <.05

level score in citizenship and mobilization of investment resources, the [F (12, 169), =1.791] and its significant level is .054 and p>.05. From F and P value, it is reflected from the result that, the large F ratio (1.791), it is an indication that, there is more variance between the responses of the respondents obtained from the sample selected (n=169). It could be asserted that, the statistical significance of the p and F values indicated that there is a variance between and within groups. Table 6 illustrates One –Way ANOVA Table between citizenship and mobilization of investment resources:

Table 6: One –Way ANOVA between Citizenship and Mobilization of Investment Resource

Citizenship and Mobilization of Investment Resource	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	13.859	12	1.155	1.791	.054
Within Groups	100.626	156	.645		
Total	114.485	168			

Discussion of Findings

This paper has conceptualized six-factors of hypothesized variables (Operation of Islamic banking (OIB), Bank Control Law (BCL); Profit-Loss Sharing (PLS); Interpretation of *Shar'iah* Principle (ISP); Interest-Free Scheme (IFS); and Mobilization of Investment Resources (MIR) to examine the standard regulatory framework in selected Muslim countries (Bangladesh, Malaysia and Saudi Arabia). The overall findings of the study demonstrated by the majority of the respondents is that the three countries (Bangladesh, Malaysia and Saudi Arabia) have been trying to promote a standard regulatory framework, as investigated in this study.

More specifically, literature such as Ahmad (2007) asserts that Bangladesh's regulatory system has showed high performance of Islamic banks in the country. However, earlier before 2007, the study by Ahmad (2001) identified multifarious challenges confronting the practice of Islamic banking in aspects of regulatory and performance. Consequently, it is also noted that despite the fact that the operation of Islamic banking in Bangladesh is evolving, there are issues or challenges with legal and regulatory frameworks (Ahmad, 2004; Kroessin, 2011; Simon and Rifaa'i, 2007). The position of the Islamic Financial Service Board (2014) indicates that, there are prospect and challenges with regard to the development of Islamic finance in Bangladesh, Nonetheless, the findings of this study have demonstrated an improvement with the practice and operation of Islamic banking in Bangladesh.

Furthermore, Alshamrani (2014) explicates that, the Banking Control Law of 1966, in Saudi Arabia, empowered the Saudi Arabian Monetary Agency (SAMA) to provide supervisory and regulatory guidelines for the activities of Islamic banking. Literature such as Siti Faridah (2009) asserts that Islamic financial transaction should be compliant with Shari'ah. In other words, it is noteworthy to say that the findings of this study were in keeping with theoretical standards and diversity being provided by the Islamic Development Bank (IDB) alongside *Shar'iah*-Compliant standards.

Conclusion

The effort to conceptualize different parameters to determine predictors of standard regulatory framework, in selected Muslim countries, should be appreciated as a further exploration from the extant literature. This paper has explicitly demonstrated six-factors as a yardstick for measuring a standard regulatory framework for Islamic banking and finance in selected Muslim countries. The findings have shown differences from the earlier studies by putting the six-variable together in this study. This study proposes that the six variables, investigated as a regulatory framework for Islamic banks, could be implemented in different countries that promote Islamic banking and finance in order to promote socio-economic development and the wellbeing of Muslims. Lastly, the effective and efficient provision of a framework for standard regulation would promote the Islamic banking system in the selected three countries in particular and in the Muslim countries in general.

Policy Implications and Recommendations

As part of the policy implications of this paper, it will undoubtedly provide a guideline for policymakers and promoters of Islamic banking with respect to the monitoring mechanisms for implementation of a standard regulatory framework in the Muslim countries. It should be reiterated that, Shari'ah injunctions should be a bedrock upon which standard regulatory framework will rely on. By so doing, the diversity and universality of Islamic banking will be presented in a more comprehensive way. This will make the Islamic banking system more responsive to the needs and well-being of Muslims. The limitation of this study is that, it is not a longitudinal study; notwithstanding, it significantly contributes to the existing body of knowledge with regard to the empirical investigation of standard regulatory frameworks for Islamic banks.

Therefore, it is recommended that, the provision of a standard framework for the operation of Islamic banking system is expected to be *Shar'iah* Compliant and must be constantly reviewed in order to promote best practices, specifically in demonstrating the viability of the Islamic banking system across Muslim countries. More specifically, the following are the recommendation of the paper:

1. That a longitudinal study should be conducted to examine the multifarious predictors of regulatory framework investigated in this paper.
2. That more advanced statistical tools such as confirmatory factor analysis and structural equation modelling should be employed on a large sample in order to establish generalizability of the variables examined in this paper.
3. That the Shari'ah advisory council should shoulder a herculean task of providing guidelines for the operation of Islamic banking in Muslim countries.
4. That the variables of this study should be further explored by researchers in order to provide a comprehensive framework for the activities of Islamic banking in Muslim countries.

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