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CORPORATE AND SHARIAH GOVERNANCE RELATIONSHIP WITH PREVENTION OF FRAUDS IN BANKING SECTOR OF PAKISTAN: A QUALITATIVE APPROACH

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Abstract

In the modern world, the banking system is impacted by both internal and external causes, necessitating ongoing regulatory oversight. Many people still operate outside the financial system's sphere of influence and are not included in the banking ambit. It is crucial to include that market, as doing so would enable banks to make healthy profits and support the expansion of the economy. The purpose of this study is to investigate the impact of Shariah and Corporate Governance for the prevention of frauds in terms of compliance audit. Data was gathered from management of Islamic and conventional banks operating in Pakistan using qualitative methodologies. Respondents from both corporate and Islamic banks were contacted for the interview. Different respondents were used in the interviews. The thematic analysis was conducted and NVivo software was used for Word cloud pictures to highlight themes. Bankers were interviewed on banking fraud and countered their opinion on banking fraud and suggestions about minimizing banking fraud. The study's findings suggest that managers should receive training and development along with recommended fraud-prevention measures. It entails preventing internal fraud incidents and winning the trust and confidence of customers.

Keywords: corporate governance, shariah governance, fraud, banking industry

INTRODUCTION

The most rapidly expanding industry in the global financial sector is Islamic banking. Islamic banking and finance increased at an average growth rate of 12.46% per year (2012-2019), according to the Islamic Finance Country Index Report (2019), with the total value of assets owned by Islamic banks (IBs) estimated at US$2.591 trillion by the end of 2018. According to earlier research, the Islamic finance sector has maintained its stability, efficiency, and higher asset quality while also recording low loan default rates (Baele et al., 2014; Hussien et al., 2019; Mollah et al., 2017).

Numerous Islamic banks are mostly troubled by fraud events, which can be the result of lax Sharia corporate governance compliance. This is because maintaining the growth and sustainability of the Islamic financial industry depends on the adoption of Sharia corporate governance (Grassa, 2015).

Pakistan's economy is deteriorating as a result of many problems. The present situation of the economy in Pakistan is undoubtedly concerning; the most recent Economic Survey of Pakistan likewise portrayed a bleak picture of the national economy. Since the start of the current

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financial year, the Pakistani rupee's value against the dollar has decreased by a fifth. The banking industry in Pakistan can contribute to increasing economic activity. This can be accomplished through facilitating loans to the SME sector and winning the confidence of the public.

The application of organizational structures and their impact on fraud prevention will be the main topics of this study. The purpose of this research is to investigate the methods Pakistani bank administration may adopt to enhance their comprehension of the contribution corporate governance makes to preventing bank collapses. The population was made mostly of Pakistani bank managers. The year when Pakistan's government overhauled its economy following the 2018 elections. The goal of this study is also to emphasize the significance of governance in Pakistan's banking sector and the part it has played in preventing fraud in the banking system.

Since frauds in operational banking and financial statements of the banks have not been sufficiently emphasized, specifically within the setting of the Pakistani banking industry, the majority of bank frauds that have been addressed in the literature are associated with Internet banking, ATM banking, and mobile banking (Baker et al., 2017).

The impact of traditional and Islamic corporate governance in banking will be detailed in this paper. This targeted audience is suitable because it consists of knowledgeable participants who have firsthand knowledge of the topic under investigation and can speak from personal experience. The possibility to increase bank profitability is one of the implications for business practice. Investor confidence and economic expansion are encouraged by a stable and lucrative banking environment (Emile et al., 2014; Jan & Sangmi, 2015).

The objectives of this study are (i) to explore the opinion about the prevention of fraud in the Pakistani banking sector (ii) to explore the opinion about governance in the Pakistani banking sector and (iii) to explore the opinion about opportunity and rationalization in the Pakistani banking sector.

The findings of this study will be significant for the banks to be able to deal with the new issues of fraud and financial crimes. They will also be important for managers, leaders, employees, organizations, and researchers. In Asian nations like Pakistan, where the rate of financial fraud including swindling, creating false accounts, etc. is higher than in advanced countries. Therefore, for the purpose to reduce fraud and its effects, this research will be crucial for bank managers. Corporate governance has been covered individually in this research for both conventional and Islamic banking. Shariah corporate governance, which is not observed as a key factor in the connection between corporate governance and banking frauds, will be taken into consideration for Islamic banking. This study will advance the practice of holding training sessions and seminars in this area as well as educating managers and directors on how to conduct themselves in a highly ethical manner.

Moral entrepreneurship is essential in Islamic banking and finance, even though different Shariah requirements apply in different Islamic financial countries. Apart from the prohibitions on riba (interest), gharar (uncertainty), maisir (gambling), and haram (illegal or harmful), the principle of risk-sharing is what sets Islamic financial services apart. Islam (God) is based on

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the notion of Tawhid, or Allah's singularity. Muslims must follow Shariah law and the teachings of the Quran to live a life that is obedient to Allah. The same is true with IFIs (Islamic Financial Institutions). The philosophical underpinnings and banking practices of the aforementioned notions raise concerns concerning accountancy and recording rules. The majority of the time, these economic crises have been exacerbated by poor corporate governance, which occurred when directors either failed to handle possible hazards or directly engaged in irresponsible risk-taking actions (OECD, 2014).

Since the Shariah regulations system is completely distinct, IFIs compete with conventional (non-Islamic) financial institutions in dual banking mechanisms and are subject to the same legal obligations. Establishing Islamic economic products in specific legal contexts is challenging enough without adding the risk of default, liquidity risk, market volatility, credit risk, and Shariah non-compliance (Archer et al., 2011). IFIs are typically prohibited from levying fines in the case of default because doing so is against Shariah. This form of default risk is unique to IFIs, and common mitigation strategies include boosting individual and property guarantees (International Monetary Fund, 2018).

LITERATURE REVIEW

Proactive fraud risk management aims to prevent fraud. In other words, it involves taking steps to ensure that fraud happens as little as possible. Compared to prevention and deterrent methods, fraud detection and litigation require more time and money (Sanusi et al., 2015). However, an examination of the UK FTSE 100 index showed that 30% of the companies surveyed by (Button et al., 2011) did not have a counter-fraud plan, despite the importance of fraud protection strategies for organizations. Human intervention, such as surprise audits, fraud prevention training, staff counseling programs, employee reference monitoring, reviews of customers' associates, restrictions, and approving authority are all ways to prevent fraud in a business (Halbouni & Yasin, 2016; Umar et al., 2021). In the employee awareness training program, all workers must have a clear understanding of their roles and levels, as well as the ethical standards of the business. Other tactics include changing employees' jobs and using lots of people in high-value transactions (BHASIN & BHASIN, 2016). Among the technological procedures applied for fraud prevention are a fraud hotline, transaction limits, information restrictions, the use of security mechanisms, virus protection, and password protection (Halbouni & Yasin, 2016; Umar et al., 2021).

One of the most efficient ways to prevent fraud is to improve an organization's policies, such as the reporting processes and guidelines adopted, and instruct them to staff. Other effective fraud prevention strategies include an anti-fraud strategy, fraud vulnerability feedback, a whistle-blowing strategy, an ethical code, improving the role of the audit committee, and enforcing a penalty and disciplinary action (Halbouni & Yasin, 2016; Umar et al., 2021).. The majority of fraud is committed by insiders; hence it takes longer to be found. Tools for detecting fraud must be available both at the unit and bank levels, and they must take into account all operational risk management controls put in place to aid in the detection of potential fraud (Burazeri & Sula, 2015). Routine ethical (fraud) teaching, external audits, and internal audit all

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decrease fraud losses by spotting fraud when utilized individually (Chartered Institute of Management Accountants) (Njenga, 2013; Peltier-Rivest & Lanoue, 2015).

Account corrections, electronic surveillance, increasing focus of senior management, cash check backs, fraud auditing, internal control feedback, fraud hotline, fraud detection training, inventory control, and fraud software are also efficient ways to spot fraud in organizations, as per Halbouni and Yasin (2016). However, receiving tips is one of the most common techniques to identify fraud. Several workers and organizations are hesitant to report scams, and several additionally continue them through civil courts, according to (Kassem & Higson, 2016). According to this study, the documented fraud statistics from the police and other pertinent organizations only cover the very top (Kassem & Higson, 2016).

Fraud is illegal from a theological perspective, and similar actions have increased negatively in the financial world as well. There are three processes involved in reducing fraud and their effects. The first stage of the prevention process entails the rules and regulations. Fraud can be decreased by altering an organization's culture and behavior. When corporate governance is present, some attainable goals and laws forbid such behavior (Singleton & Verhoef, 2010). The effect of Shariah compliance on the financial success of Islamic banks was investigated by Ghofur & Santika (2020). The study found a weak correlation between IsIR, PSR, and fraud. The results of Ghofur and Santika (2021) proved that there was no fraud in Indonesia's Islamic banking sector. This serves as another evidence of the nation's strict adherence to Shariah.

The Shariah Financial Accounting Standards, Shariah Auditor Competency, and Shariah Supervisory Board Independence in Islamic banking system frauds were analyzed by (Suryanto & Ridwansyah, 2016). The evidence, which comes from Indonesian banks, shows how these factors interact to affect fraud prevention, particularly in Islamic banks. The Shariah Board is crucial to both the enforcement of Islamic banking regulations and the fight against fraud. Fraud is forbidden or haram in Islam and under Shariah law. To understand the effect of Shariah Supervisory Board features in reducing the likelihood of fraud, Indah et al. (2020) performed research. The study's findings showed that factors including cross membership, member count, educational attainment, and Sharia supervisory board tenure did not affect fraud prevention. Financial accounting knowledge of the Shariah Supervisory Board had a detrimental effect on financial statement fraud. Mukminin (2018) carried out a second study with the aim of understanding and discovering the type of crime that took place at the Dubai Islamic Bank during the financial crisis. The results showed that a country's ability to implement Shariah-based banking and acquire significant shareholding did not stop white-collar fraud.

Despite being innovative in comparison to traditional corporate governance, Islamic corporate governance has a significant influence on how Muslim intellectuals, scholars, and professionals think. Al-Ghazali, a well-known Muslim philosopher, developed Maqasid Shariah as the goal of Islamic Corporate Governance (I.C.G.). According to Zaidi et al. (2015), it is related to the security of the people's welfare, taking into account their life, faith, intelligence, future, and riches. As a result, the main proponent of I.C.G. ideas began with the following assumption:

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- The proprietary theory refers to possession right when one holds or embraces exclusive privilege over something, such as the owner.
- Entity Theory states that all finance-related activities directed by the businessman are discrete from its proprietors (Zaidi et al., 2015). The theory assumes that all of the firm's actions can be accounted for autonomously from the proprietor's activities.
- Enterprise The failures of the two aforementioned approaches—proprietary theory and entity theory—led to the development of Islamic theory. Thorstein Veblen authored a financial treatise titled The Idea of Business Enterprise, which was published in 1904 (Zaidi et al., 2015). G.O.D. is emphasized in all of its systems with a focus on economic and social objectives. The theory has developed into the Shari'ah Enterprise Theory (S.E.T. Only God, humanity, and the environment are discussed in the S.E.T.

The advancement of human well-being is the goal of the Shari'ah. It consists of five elements: caring for one's religious conviction, soul, life, and senses; coming in second are generation and wealth (Alnasser & Muhammad, 2012). The fifth and last Shari'ah goal is wealth. If wealth were placed first, it would most certainly lead to injustice and inequity, which would negatively impact society's well-being (Alnasser & Muhammed, 2012).

Shari'ah compliance and the presence of a Shari'ah board, which ensures that every transaction is carried out following Shari'ah law, are two of the most distinctive elements of Islamic bank corporate governance (Kunhibava, 2015). The staff of Islamic banks should adhere to Islam's teachings and act and perform following Islamic principles and directives (Kunhibava, 2015).

Corporations are one of the main players in the modern economy. They are a nation's main driver of economic expansion. As a result, the corporate governance structure has emerged. According to Emeagwali (2017), companies are all about striking a balance between the interests of the owners, investors, and managers and making decisions that are advantageous to all parties involved. Corporate governance is often in general defined as "a critical procedure involving organizational, legislative, economic, encouraging, and social tools, the collection of which offers the distinct work atmosphere which enables to minimize costs by decreasing the gap among management and owners' concerns" even though scholars do not agree on a single definition of the term (Shleifer, 1997).

According to the Organisation for Economic Cooperation's (OECD) definition of corporate governance, it serves to "contribute to developing an atmosphere of confidence, transparency, and accountability required for enhancing long-term investment, economic stability, and business integrity, hence encouraging solid development and many inclusive communities." Khan (2015) asserts that effective corporate governance can create the "striking investment environment" that competitive enterprises require to establish a strong position in effective financial markets. According to Mason (2006), the prominence of corporate governance has increased recently as a result of the "high-profile mismanagement of large, multi-national private-sector corporations" and the consequent increase in media attention.

Pamungkas et al. (2018) investigated the effects of poor monitoring, direction change,

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arrogance, auditor change, and financial targets on accounting fraud. Additionally, the research looked at how company governance affected the fraud Pentagon model. 32 listed firms, 12 of which were fraudulent, were investigated from the Indonesian stock market between 2012 and 2016. The researchers used a logistic regression model, and it was found that the only variable that had a significant impact on the fraud pentagon model was the change of orientation. Additionally, it was discovered that corporate governance practices ownership acted as a moderator, weakening the link between accounting fraud and change in course.

Halbouni, Obeid, and Garbou (2016) investigated the importance of corporate governance and information technology in preventing and identifying fraud in UAE banks. According to the survey, senior management and corporate directors are unable to comprehend how UAE's culture of honesty has a limited positive effect on fraud detection and prevention. It is required to create methodical, information technology-integrated procedures that can identify and stop fraud.

In'airat and Rushd (2015) investigated how people perceived the importance of corporate governance in reducing and preventing fraud. The study's findings confirmed that internal audit is considered to be the most significant factor in lowering the level of fraud. Additionally, it has been discovered that efficacy factors have greater effects on lowering fraud rates. Chaoul (2016) suggested that the falsification of financial reports and financial statements significantly lowers the credibility of certified financial reports. Corporate governance procedures and compliance processes are seen to be effective in curbing fraudulent activity. Recent studies recommend investigating methods to ensure corporate governance mechanisms in emerging nations, particularly in specifically, where corporate governance is found weak. A study by Chaoul (2016) found that raising the board of directors' independence and financial data openness can significantly minimize fraudulent operations.

To comprehend how false financial reporting (FFR) in Brazilian businesses might be reduced, Martin (2020) undertook a study. A total of 314 publicly traded companies were investigated in the study to better understand the likelihood of bankruptcy and the potential for earnings manipulation. The study's findings showed that FFR is determined to suggest a likely impact in a total of 5.5% of cases. The analysis reveals 16.9% bankruptcy situations and a 17.7% risk of earning manipulation. Dwi and Jannah (2016) looked into Surabaya's rural credit institutions and discovered how corporate governance affected the fight against fraud. According to the report, effective corporate governance could greatly lessen the impact of fraud. Putu Ayu et al. (2014) conducted yet another study that focused on internal case-control using sound corporate governance principles. The SKPD in the Buleleng Regency provided proof that the writers brought.

In their 2019 study, Ladewi, Mizan, and Amalia looked at the effect that excellent corporate governance practices have on preventing fraud in the corporate sector. The BUMN banking sector was the one selected for this study, which was carried out in Palembang City. The method used to collect the data includes surveys, paperwork, and interviews. Both quantitative and qualitative analyses were used in the investigation. 32 respondents from the BUMN banking industry make up the study's sample size. According to the research's conclusions, once strong

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governance principles are put into practice, fraud prevention tends to significantly improve.

RESEARCH METHODOLOGY

For this study, the researcher chose a qualitative approach in order to collect phenomenological information on the experiences of bank personnel. Because the information was acquired all at once, a phenomenological research approach was deemed appropriate for gathering information on bank managers' experiences. The target population in a research analysis refers to the full collection of units for which assumptions are to be made. Creating target demographics is essential for doing research successfully and avoiding discrepancies. The population of managers employed by various corporate and Shariah banks will be the focus of this study's data collection efforts. Using interview guidelines that were modified from the qualitative components of the questionnaire mentioned in Appendix B, qualitative data was collected. The interviews were conducted in-person. The interview audio was recorded using a recorder and will be used later. Considering other recent qualitative research that used a comparable sample size, comprehensive information was gathered from a comparatively small sample. Semi-structural interviews are helpful for learning the background of the interviewer's experience.

In the qualitative data analysis stage, the thematic analysis technique is selected for a valid result. Themes are patterns across the data set that are important to the description of the data. These themes are generated under the research questions. The qualitative research analysis contains 12 participants including, Head branch operations, Branch operation manager, External audit manager, Internal audit manager, Shariah scholar, EVP consumer banking, AVP, Head of the internal audit, internal auditor, SRM credit and trade, Operations manager. Respondents are working in different banks under various departments. The researcher recorded the interviews with their permission. Structured interviews were conducted with participants.

DATA ANALYSIS

Psychologists Clarke et al. (2015) developed a framework for thematic analysis. The researcher systematically applied it to explain the process of analysis within the context of fraud in the banking system. Six phases of the thematic analysis approach are given below.

1. Familiarization with data.
2. Generating codes
3. Searching themes
4. Reviving themes
5. Defining and naming themes
6. Producing the final report.

NVivo software was used for Word cloud pictures to highlight themes. The following questions

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were asked and themes were generated related to these questions.

Q 1: Opinion about prevention of frauds in the Pakistani banking sector

Bankers were interviewed on banking fraud and countered their opinion on banking fraud and suggestions about minimizing banking fraud. Significant themes are extracted from respondent interviews. Four major themes were generated, e.g., the experience of detecting bank fraud, computerized banking system, internal and external audit, preventing policies, bankers' involvement.

First major theme was the experience of banking fraud. The interviewer asked a different set of questions based on the Semi-structured interview technique. The first major theme was found by the researcher about the self-experience in detecting bank fraud. Most of the respondents answered with experience detecting bank fraud, but few responded in contrast. Few participants replied that they had observed fraud in recent days in which the manager takes advantage of the dollar fluctuation rates. Second major theme was "computerized banking system," countered by the respondents. Many respondents have analyzed the situation and given their suggestions about computerized banking systems. They raised a few points; a computerized system is a valuable system, but there are some lop pools, and there is still human input, so we cannot say that the frauds are finished because of this, but they help minimize the frauds. Few Other respondents suggested that the current IT-related issue helps elevate the problems, but there is a need for human intellect and better performance. Fewer suggestions were encountered; a computerized system is not enough to stop the frauds, but the banks must adopt other preventative measures.

Internal and external audit was the third major theme used by many respondents. When they were asked about the external and internal audit in preventing bank fraud, they highlighted the few points with good gestures; Both roles are critical. External auditor approves all the reporting with the stakeholder, and for that reporting, you have many rules and regulations like SPECP, state bank then the third party must rely on it. We can say that it has a vital role.

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Bankers' involvement was the Fourth major theme asked by the researcher. When they asked the question about bankers' involvement to prevent bank fraud, most people agreed on this statement, "It is the complete chain, not the only banker. Like the cashier, banker, the manager, and the whole staff are involved in a single transaction. So the proper moral training of the staff and the internal policies of the banks should be so strict that bankers should be aware of the consequences."

Q2: Professional's responses about transparency system is helpful for corporate governance?

The second major question was about transparency, government, and corporate governance. Few subthemes were extracted in transcribed data, that were, importance, benefits, and damages, more transparency, more trust, more human involvement, less transparency. The first major theme was about the transparency system and cooperated system. The researcher encountered the opinion of participants consisted upon. It is an essential factor but not the only factor. There are other factors also that plays and help in maintaining the system. Other participants noted their suggestion that there are some benefits and damages as well. It is not a readymade solution it should be applied according to the culture of the organization. There are some negativities, such as professional jealousy and many other negative practices used in the banking sector for promotion. So, one has to keep in the notice of such ills before implementing the system. But overall, they have supported this system. Few other selectors replied in supporting this system that this is useful for the governance. Still, less human involvement will make it more efficient because it will be more judgmental and less transparent when there is more human involvement.

The second theme is derived from written data was improving the control system. All of the contributors were agreed on the importance of improving internal control to minimize bank fraud. They notably suggested that There should be a proper corporate governance policy of the banks and should be strictly implemented. The SOPs should be followed, and the flaws

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should be minimized so that no one can benefit from these flaws. The third central theme found in the data set was an effective corporate governance system. When contributors were asked, How do I implement an effective corporate governance system within my organization? They expressed that corporate governance is a set of rules and regulations. So it should be kept in mind that a mechanism should be introduced for the proper implementation, and adequate upgrading for the banks' policies should be done so that there should be no space left for the frauds. Other participants cognized us on selecting the system. They said that Corporate governance is overall the management system. There should be experienced, responsible, dedicated, and versatile people on the board of directors and the higher management. As the trends and the culture of the organization start from here.

Some of the respondents answered that Shariah is following the Islamic rules. The religious people who are afraid of interest rates use this platform, and it's for the clients' satisfaction. Conventional banking is the other banks. In short, both are working for the profit-making of banks. In Shariah governance, you have to follow the rules and regulations, whereas, in cooperate governance, you can make changes.

Q 3 : Opportunity & Rationalization

Bankers were interviewed on banking fraud and countered their opinion on opportunities and rationalizations and suggestions about minimizing banking fraud. NVivo word cloud showed few themes and sub-themes. professionals were using at the time of interviews, two major themes were focused on by the respondents, compromising policies to help customers, Underpaid amount according to responsibility. Nine subthemes were encountered by numbers of respondents, monitoring and supervision system, specific team for supervision, reliable customer, big target to achieve, particular special cases, underpaid and overpaid, fine paid, benefited by bonus, salaries should increase to minimize banking fraud.

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Details of major and subthemes are mentioned in the table

Research Questions	Major themes	Subthemes	Description	FRQ
Opinion about Opportunity & Rationalization	Opportunity and rationalization	Proper supervision and monitoring system in the bank	Yes, it is to a big extent but there are some negligence from the staff	7
	Compromising policies to help customers.	Reliable customers	When customer is reliable, some time policies are compromised.	5
		Big target to achieve.	I think it should not happen, but when the targets are big then one has to tolerate	6
		Reliable customers	When customer is reliable some time policies are compromised.	5
		Big target to achieve.	I think it should not be happened but when the targets are big then one has to tolerate	6
		Particular special cases	In my opinion along with the rules you have to look at the exceptions as well for some particular special cases	8
	Underpaid amount according to responsibility	Cashier and clerical staff	lower staff like clerks and the cashier who are handling the cash directly, their salaries are very less and they are under paid	10
		Under paid and over paid	Some are under paid and some are over paid	4
		Fine paid	Everyone has fine pay according to their responsibility	7
		Benefited by bonuses	Staff is managing heavy accounts then can be benefited by bonuses so that they remain fair.	6
		Salaries should increase to minimize bank fraud.	Salaries should be revised that they never become part of bank fraud	10

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DISCUSSION

The outcomes of this research corroborate those of Bhatti and Bhatti (2010), El-Halaby et al. (2016), Fezzan, (2014), and Sailaja et al. (2014), who discovered that corporate governance may deter fraud. Asrori (2014) asserts that Shariah corporate governance has a positive effect on the profitability of Shariah banks. Researchers discovered that adopting Sharia governance has a positive effect on a business's reputation and customer trust. This, however, goes against the findings of In'airat and Rushd (2015), who discovered that the existence and application of corporate governance were insufficient to reduce levels of fraud.

Corporate governance based on Shariah law will not be able to enhance operational efficiency in the fight against fraud. The development of Shariah corporate governance does neither encourage nor dissuade the link between Shariah corporate governance and dishonesty because the success of an Islamic bank is not a motive for lying. This shows that the supervisory sessions used in Shariah corporate governance are an ineffective means of monitoring operational effectiveness. Contrary to the belief that it is the general public's responsibility to ensure that the bank's performance complies with the specified criteria, corporate governance is important for any organization, including Shariah banks (Maradita, 2014).

The results show that microfinance company loan payments with high repayment amounts and few accountability measures by bank staff have a significant impact on bank employees' desire to commit fraud. Most of these loans are used to support or maintain an expensive living. To effectively decrease instances of employee-related fraud and potential fraud as a whole, financial institutions must carefully monitor the credit negotiated by their employees to ensure that they have been within permissible boundaries.

CONCLUSION

The literature review that came before it concluded that Shariah practices in the Islamic banking system are not always in line with the true spirit of Shariah. Scientifically, this subject has not been adequately examined. Furthermore, there is disagreement among empirical studies regarding the practical application of Shariah in Islamic banks. Do Islamic banks abide by the spirit of Shariah in daily life? According to what we know, Pakistan doesn't have an empirical answer to this crucial query. This investigation is important because it provides actual evidence from Pakistan, where Islamic banking is growing more and more common. This work contributes to the empirical research on Shariah banking in several additional ways. It begins by using primary data to investigate Shariah practices in Islamic banks. Secondly, it utilizes data obtained from customers of Islamic banks as well as staff and management. Third, it explores many aspects of banking that comply with Shariah. Finally, it evaluates Islamic banking's contribution to social progress.

PRACTICAL IMPLICATIONS

For the industry participants and the regulators in particular, the study's findings have significant theoretical and practical consequences. The CG, SG, and CA variables, which are

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unique to the current investigation, are related to the theoretical implication. The theoretical value of the current study comes from the fact that it is the first to demonstrate the direct beneficial effects of CG, SG, and CA on fraud prevention in Pakistan's banking system. By establishing that there is a significant difference in the CG and CA between the two types of banks, the findings also add to the body of literature. The body of knowledge in the field of risk management in the banking business is expanded by both results.

From a practical standpoint, the research's findings have demonstrated the significance of properly establishing a board and creating an efficient audit committee to ensure the improvement of internal control systems in a way that applies to the prevention of fraud. Based on the empirical results, the study has shown that specific corporate governance practices are important indicators of how well an organization's internal control functions. Additionally, Pakistan's corporate governance standards have been strengthened and brought up to par with those of the OECD member nations. This research emphasizes the requirement for the adoption of comparable corporate governance practices in Pakistan by demonstrating the important impact of board features and audit committee performance on efficient internal control and risk management.

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