

Strengthening Credit Risk Governance and Risk-Based Internal Audit in Saudi Islamic Banks: A Framework for Sustainable Debt Financing under Vision 2030

Mohammad Ahsan^{1*}

¹Independent Researcher

*Corresponding Author

Mohammad Ahsan

Independent Researcher

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Abstract: Purpose: This review examines how credit risk governance and risk-based internal audit can jointly strengthen the quality, resilience and developmental contribution of debt financing in Saudi Islamic banks. The central argument is that effective oversight requires more than separate board, risk and Shariah compliance arrangements: it requires a traceable chain connecting financing decisions, forward-looking risk signals, independent assurance and corrective action. **Design/Methodology:** A structured critical integrative review synthesises 30 DOI-identifiable journal articles published during 2020–2025, selected for their relevance to Islamic banking, credit risk, governance, assurance and the Saudi or comparable regional context. **Findings:** Evidence favours a differentiated approach. Board and Shariah oversight are important, but their effects vary across institutional settings; independent audit is useful only when its remit, expertise, access and follow-up are credible. The proposed framework links risk appetite, transaction-level controls, portfolio surveillance, audit prioritisation and accountable remediation. **Originality:** Rather than treating governance and audit as parallel functions, this paper specifies their interfaces, evidential requirements and failure points across the financing life cycle. **Implications:** The framework offers Saudi banks a practicable basis for risk-sensitive financing expansion consistent with Vision 2030, without assuming that any single governance structure guarantees lower defaults. The review does not report original bank-level estimates; its propositions require future validation.

Keywords: Islamic Banking, Credit Risk Governance, Risk-Based Internal Audit, Saudi Arabia, Shariah Governance, Sustainable Debt Financing, Vision 2030.

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1. INTRODUCTION

Saudi Arabia's economic diversification programme places demands on banks as intermediaries between domestic savings and productive investment. Financing infrastructure, smaller enterprises, housing and emerging industries can support the objectives associated with Vision 2030, yet expanding credit mechanically would undermine those objectives if risk selection,

monitoring and recovery were weak. For Islamic banks, a viable financing strategy must also preserve contractual integrity and the credibility of Shariah oversight. This combination creates a governance problem rather than merely a portfolio-growth problem: banks must determine which exposures to accept, which risks require escalation, and whether assurances about controls can be independently substantiated.

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The distinction matters because financing structures differ in their allocation of ownership, asset and counterparty obligations. A murabaha receivable, an ijara arrangement and a partnership-based exposure do not generate identical documentation, collateral, operational or loss-recognition questions. Nevertheless, all can give rise to a counterparty's inability or unwillingness to meet commitments. Credit risk governance must therefore connect the economics of financing with contractual enforceability, customer information, concentration exposures and timely interventions. Evidence on Islamic bank stability cannot be converted into an assumption of immunity from credit deterioration: cross-country comparisons find both distinctive strengths and material differences in institutional responses [1–3].

Recent studies establish that corporate governance, Shariah governance and prudential supervision interact, but they do not consistently point in one direction. Research on GCC Islamic banks associates governance arrangements with both efficiency and risk-taking, making simplistic claims that governance necessarily suppresses risk untenable [2]. Evidence from the Middle East and North Africa suggests that Islamic banks may exhibit lower credit risk under particular conditions, although bank-specific characteristics and policy environments matter [3]. Studies of credit ratings and financial flexibility likewise indicate that Shariah oversight adds information which ordinary board indicators may miss [4, 5]. The task is consequently to distinguish warranted risk-taking from poorly controlled financing growth.

The Saudi setting warrants focused synthesis. Research on governance practices in Saudi banks identifies variations in the application of Shariah controls, reporting and accountability across institutions [8, 9]. A comparative assessment of governance codes also shows why the institutional position of specialist committees cannot simply be imported from another jurisdiction [10]. Yet the operational connection between these findings and independent credit audit remains insufficiently specified. Governance papers frequently examine board characteristics, while credit-risk studies investigate determinants of impaired assets. Audit literature, in turn, assesses professional independence or compliance effectiveness without systematically tracing a financing decision from approval to remediation. These conversations need to be joined rather than repeated in isolation.

This review advances that integration. Its practical unit of analysis is the controlled financing decision, followed through origination, monitoring, potential deterioration, restructuring and independent review. Its normative claim is conditional: a Saudi Islamic bank contributes sustainably to development when governance converts risk information into timely, reviewable decisions, not when a committee or disclosure score looks stronger on paper. The remainder sets out the review method, evaluates convergent and conflicting evidence, and develops a framework that can be tested against actual bank processes.

2. Study Aim, Objectives and Analytical Questions

The aim is to explain how mutually reinforcing credit governance and risk-based internal audit arrangements could improve the resilience and accountability of Islamic debt financing in Saudi Arabia. This differs from an empirical objective of estimating whether a particular board variable predicts non-performing financing. It instead specifies the mechanisms through which risk appetite, compliance judgements, independent scrutiny and managerial response should operate together.

Four objectives direct the synthesis: to identify credit vulnerabilities associated with Islamic financing contracts and portfolios; to assess how boards, risk committees and Shariah governance influence credit decisions; to determine the conditions under which internal audit supplies effective independent assurance; and to propose an implementable governance architecture aligned with prudent financing growth. Three analytical questions follow. Where does material credit information fail to reach decision-makers? How should assurance effort respond when exposure quality or controls deteriorate? Which observable indicators would allow Saudi banks to evaluate the architecture without confusing procedural compliance with actual resilience?

3. REVIEW DESIGN AND ANALYTICAL METHOD

A critical integrative review is appropriate where evidence comes from heterogeneous empirical designs, qualitative cases, conceptual analyses and comparative regulatory studies. Pooling estimated effects would imply that credit risk, governance and audit effectiveness had been measured consistently across studies; they have not. Accordingly, this paper develops an explanatory synthesis rather than a meta-analysis. It makes no claim that thirty articles represent every publication available, and it reports no invented search counts, effect sizes or study-selection flow.

Evidence was located through targeted searches of publisher article collections and scholarly discovery results using combinations of 'Islamic bank', 'Saudi Arabia', 'credit risk', 'Shariah governance', 'audit committee', 'internal Shariah audit', 'financing', 'financial stability' and 'macroprudential'. DOI-bearing journal records were checked against publisher pages or identifiable journal records. Inclusion required a defensible contribution to at least one component of the proposed explanation: financing risk, board or Shariah oversight, independent assurance, or the regulatory and developmental setting. Studies using conventional bank comparisons were retained only where Islamic bank results or implications were separately discussed. Literature lacking sufficient bibliographic identity, outside the date range or disconnected from the question was not relied upon.

The included studies were read analytically across five dimensions: jurisdiction and business model; governance or risk construct; method and population; substantive finding; and limits to transfer to Saudi Islamic banking. Particular attention was paid to whether findings concerned risk-taking, actual impaired financing, bank stability, credit ratings or profitability, since these outcomes should not be treated as interchangeable. Contradictions were retained where plausible: differences may reflect institutional design, sample composition, risk measurement or endogeneity. Table 1 provides a compact evidence map rather than a claim of exhaustive coverage.

Table 1: Thematic evidence map and interpretation boundaries

Evidence strand	Illustrative studies	Critical synthesis
Governance and stability	Bitar <i>et al.</i> , [1]; Srairi <i>et al.</i> , [2]; Abdeljawad <i>et al.</i> , [3]	Prudential strength and bank governance matter, but results vary by bank model, outcome and country.
Saudi institutional practices	Hassan <i>et al.</i> , [8]; Bashir and Babiker [9]	Control, audit, transparency and implementation gaps warrant institution-specific scrutiny.
Contract and credit mechanisms	Shaheen <i>et al.</i> , [11]; Saifurrahman and Kassim [14]; Saleem <i>et al.</i> , [16]	Underwriting evidence, financing structure and borrower information shape the appropriate control response.
Independent assurance	Nguyen [6]; Algabry <i>et al.</i> , [18]; Ab Ghani <i>et al.</i> , [19]; Khalid and Sarea [20]	Independence, expertise, audit planning and Shariah coordination are complementary, not interchangeable.
System conditions and innovation	Shah <i>et al.</i> , [15]; Rizwan <i>et al.</i> , [24]; Albinali [29]	Technology and macroprudential settings alter signal quality and risk transmission; portability is limited.

The synthesis proceeded from mechanisms to design implications. First, financing risks were related to contract and portfolio controls. Secondly, board, Shariah and prudential evidence was assessed against accountability and information-flow problems. Thirdly, audit studies were interrogated for independence, competence, scope and remediation. Finally, these strands informed a conceptual framework, shown in Figure 1, and an assurance sequence, shown in Figure 2. Its components are proposed design principles, not findings measured in Saudi banks.

Limitations accompany the method. Selection was purposive and sensitive to discoverability, particularly for subscription articles. Studies vary in quality and frequently rely on retrospective observational data; therefore causal inference is restricted. Cross-country lessons are considered informative, not directly generalisable. Claims about a specific Saudi bank's present control maturity would require internal documents,

interviews or supervisory data outside this review's scope.

4. Thematic Synthesis of the Evidence

4.1. Credit Exposure, Contracts and Concentration

The starting point is to recognise credit deterioration as a life-cycle process rather than an event revealed only by arrears. Islamic banks may encounter information asymmetry at origination, valuation uncertainty in underlying assets, changing customer cash flows and gaps in post-disbursement surveillance. A multi-bank analysis associates size and capitalisation with credit-risk outcomes, but its results do not establish a universal optimal portfolio size [11, 12]. Qualitative evidence on financing for smaller enterprises finds that familiar assessment procedures can coexist with significant information gaps [14]. In Saudi applications, this calls for differentiated underwriting rather than a common approval checklist that overlooks sector-specific cash-flow and security characteristics.

Contractual structure should determine where challenge is concentrated. In asset-based debt instruments, an audit trail should establish the underlying purchase or lease, agency arrangements where relevant, enforceable payment terms and evidence of asset-related obligations. In profit-sharing modes, review should encompass information rights, business reporting and allocation of losses. These distinctions do not remove the need for consolidated counterparty exposure or sector concentration limits. Research connecting financing forms and productive outcomes suggests that risk-sharing and non-risk-sharing contracts can carry different implications for sustainable activity; the claim is contextual rather than a guarantee of superior developmental impact [16].

Non-performing financing is a lagging measure. Early-warning indicators should incorporate restructuring frequency, covenant exceptions, collateral coverage, repayment anomalies, connected exposures, changes in operating cash flow and sector demand. An indicator is useful only when associated with decision rights and a response deadline. Comparing Islamic and conventional banks across the region, recent work finds heterogeneity in credit and liquidity exposures [3-17]. Such results support segmented monitoring and stress testing, not an undifferentiated rule that one bank model is invariably safer.

The governance challenge is amplified by portfolio expansion into new industries. Historical repayment patterns can fail when sectors are thinly represented in past data, and senior-management incentives may encourage rapid disbursement before control systems mature. The proposed response is an explicit hierarchy of evidence: borrower repayment capacity, contractual protections, portfolio correlations, realistic downside scenarios and independent exception review. Risk appetite should state exposure concentrations and deterioration triggers in forms that credit teams and auditors can test. Sustainable financing is not identical to longer tenor or a favourable sector label; it depends on sustained servicing capacity and the discipline to refuse inadequately supported transactions.

4.2. Boards, Shariah Oversight and Prudent Risk-Taking

Governance effectiveness depends on what decision-makers know and what they can require management to change. GCC evidence shows that broad governance indices can conceal differences among board structures, risk management, transparency, audit committees and Shariah supervisory arrangements [2]. A comparative study of Islamic bank risk-taking finds that Shariah committee expertise is relevant, whereas

conventional audit committee characteristics may not transmit effects uniformly across bank models [6]. Another investigation links supervisory-board experience and disciplinary knowledge to risk outcomes while reporting heterogeneous effects of educational attributes [7]. These observations undermine any argument that committee size alone demonstrates protection.

Saudi research offers a more direct institutional lens. Hassan and colleagues report weaknesses relating to transparency, controls and audit notwithstanding broad recognition of Shariah governance principles [8]. Bashir and Babiker identify differences in the implementation of governance practices across banks and product arrangements [9-28]. The implication is not that Shariah oversight should absorb the credit department's mandate; rather, it should control contractual compliance while communicating material exceptions to risk management and the board. An exception that is visible only to a specialist function may still damage credit quality when it affects enforceability, customer treatment or remediation costs.

Governance layers require defined boundaries. The board approves appetite and demands explanations for deviations. A board risk committee challenges concentration, provisioning and stress scenarios. Management owns underwriting, collections and corrective actions. Shariah governance evaluates compliance in financing design and execution, while audit committees protect the independence of assurance. This allocation is analytically different from multiplying committees. Research on board responsibilities stresses that governance codes and institutional circumstances shape the extent of specialist oversight [10]. The design test should be whether a significant adverse finding crosses the relevant boundaries without delay.

Creditworthiness and broader resilience should remain distinct. Baig and colleagues show that Shariah governance characteristics can affect the relationship between corporate governance and Islamic bank credit ratings [4]. Research on financial flexibility likewise connects governance arrangements with banks' capacity to accommodate financing needs [5]. Neither finding proves that a favourable rating or financial flexibility directly causes better recovery rates. The proposed architecture therefore regards ratings, capital, financing growth and impairments as complementary signals requiring interpretation, not as substitutes for loan-level audit evidence.

Finally, prudential compliance is necessary but insufficient. Bitar and colleagues associate observance of supervisory principles with improved stability, although the estimated association is weaker for Islamic banks than for conventional peers [1]. Comparative evidence on competition and capital requirements similarly shows unequal risk responses across banking models [23]. A credit committee should not infer safety from a strong capital ratio while ignoring weak onboarding, concentrated counterparties or delayed recognition of deteriorating exposures. The relevant objective is an institution capable of absorbing loss and preventing avoidable loss simultaneously.

4.3. Risk-Based Internal Audit as a Governance Mechanism

Internal audit adds value by testing whether first-line claims about financing controls survive independent examination. Its role is neither to approve customer exposure nor to duplicate the continuous monitoring performed by risk management. Instead, it evaluates the design and operation of controls, the integrity of management information, accountability for exceptions and the reliability of remediation. Research on Islamic bank governance finds uneven disclosure and weak links among governance components, suggesting why the mere existence of an audit committee cannot demonstrate effective assurance [2-30].

The internal Shariah audit literature offers a parallel warning. A case study identifies the audit charter, documented plan and audit manual as practical preconditions for credible review [18]. Survey evidence from Malaysian Islamic institutions supports the importance of effective internal Shariah audit arrangements, but transfer depends on regulation and organisational maturity [19]. A conceptual analysis places independence at the centre of audit effectiveness because an auditor who cannot challenge management cannot provide meaningful assurance [20]. These sources justify clear reporting lines, protected access to records and explicit safeguards when audit examines decisions taken by senior executives.

A genuinely risk-based plan is dynamic. A portfolio with stable indicators and validated controls warrants different audit frequency from one showing rapid growth, repeated exceptions, concentrations or unexplained overrides. Risk ranking should incorporate inherent credit materiality, control weakness, speed of change and the consequences of uncorrected failure. Audits should sample declined and restructured applications as well as successful disbursements; otherwise review may systematically overlook weak approval criteria. The proposed sequence appears in Figure 2, while Table 2 translates it into auditable responsibilities and evidence.

Table 2: Proposed control-to-assurance matrix for Islamic financing

Financing stage	Accountable function	Minimum audit-ready evidence	Independent challenge
Origination	Credit and product owners	Source-of-repayment review; approved contract; collateral and connected exposure checks	Risk management challenge; periodic audit sampling
Disbursement	Operations and credit control	Conditions precedent; verified asset/title documentation; authorisation log	Exceptions referred to Shariah compliance and audit
Monitoring	Portfolio risk management	Arrears transitions; exposures by sector; overrides; cash-flow flags	Escalation against approved triggers
Classification	Finance, models and credit risk	Grade movements; provision overlays; recovery assumptions; data lineage	Independent model/control testing
Remediation	Assigned management owner	Finding severity; response deadline; evidence of control correction	Audit verification; board escalation for severe delays
Oversight	Board risk and audit committees	Appetite breaches; unresolved high-severity issues; recurring exceptions	Challenge, documented decisions and follow-up

The relationship between credit audit and Shariah audit requires formal coordination without collapsing their professional judgements. For example, a missed asset-title requirement may be a compliance issue and also compromise collateral or contractual enforceability. Joint planning can flag shared risk themes, but each function should retain its reporting responsibilities and competence standards. Work on internal Shariah audit

independence does not establish that integration of teams always improves outcomes [20]. Accordingly, this review advocates interoperable findings registers, reciprocal referral triggers and coordinated escalation, not automatic merger of assurance functions.

Audit impact should be measured after reporting. Useful metrics include the age of severe

unresolved findings, verified closure rates, recurrence of exceptions, completeness of evidence and time to escalation. Counts of completed assignments alone offer little insight into risk reduction. Indonesian evidence links aspects of audit committee design and risk governance to banks' performance objectives, but does not remove the need for contextual validation [21, 22]. Audit quality becomes an observable governance capability when the board can trace a material finding to an owner, a remediation deadline and independently tested closure.

4.4. Measurement, Disclosure and Forward-Looking Challenge

Credit governance depends on the quality of risk measurement, but financial indicators can contradict one another. Financing impairment ratios measure recognised distress; provisions reflect estimates and reporting judgements; risk-weighted assets reflect regulatory categorisation; and capital ratios describe loss-absorption capacity. None is a complete proxy for the effectiveness of underwriting. Studies identify relationships among provisions, bank-specific characteristics and credit risk, although direction and significance depend on models and samples [11-13]. A board should therefore demand reconciliations between accounting classifications, internal risk grades, arrears ageing and observed cash recoveries.

Expected credit loss processes provide a useful illustration of governance interactions. Forward-looking estimates depend on default probabilities, exposure profiles, recoverability assumptions and scenario weights. For Islamic financing, the bank must map contractual repayment obligations and realisable collateral into appropriate risk parameters without disguising contractual differences behind a generic label. Internal audit should challenge data lineage, segmentation, model changes, management overlays and approvals, while avoiding ownership of the estimates it reviews. A prudent framework distinguishes validation of process from certification that an uncertain forecast will prove correct.

Disclosure also matters because investors and depositors cannot interrogate internal committees directly. Nobanee and Ellili investigate the association between risk disclosure quality and GCC banks' credit risk, highlighting transparency as a potential monitoring mechanism [13]. However, detailed disclosures are not automatically reliable disclosures. Reports should explain movements in problematic exposures, concentrations and sensitivity to adverse scenarios, using definitions stable enough for meaningful comparison. A board that receives an attractive dashboard without

reconciled data may be less informed than one receiving a smaller set of rigorously challenged indicators.

The governance system should also preserve disagreement. Credit officers, Shariah reviewers, model validators and auditors bring distinct forms of evidence; tensions among their findings are not necessarily defects. They can reveal a contract that is technically compliant yet economically unsuitable, or a statistically plausible credit decision supported by incomplete records. Escalation policy must specify when unresolved disagreement requires higher approval, transaction suspension or remediation. The guiding principle is evidential contestability: a material judgement should be capable of challenge, reconstruction and revision as conditions evolve.

4.5. Digitalisation, Macroprudential Conditions and Resilience

Digital tools can improve the timeliness of credit information, but they do not relieve institutions of responsibility for data quality or accountable decisions. Research across Islamic banks in several countries suggests that financial technology influences risk assessment before financing more strongly than some post-financing outcomes [15]. For Saudi banks, this supports careful use of digital identity, transaction data, automated exception detection and structured documentation. Models should be monitored for drift, unexplained overrides and differential performance across customer groups; automated decisions without reviewable reasoning can reproduce information asymmetry rather than solve it.

External conditions shape the same portfolio. Evidence from Qatar indicates that macroprudential measures may influence Islamic bank financing differently from other lending activities [29]. Studies of ownership and systemic risk likewise find that risks change during shocks and can differ by banking model [24–27]. Such findings argue for scenario analysis that includes funding pressure, property revaluation, delayed project payments and sector-specific downturns. Scenario design should be linked to concrete management options, such as tighter approval terms, diversified sector limits or enhanced monitoring, rather than remain an annual presentation exercise.

Sustainable debt financing requires attention to customer resilience and economic purpose alongside portfolio returns. Research on the interaction of financing contracts, credit risk and productive activity suggests that developmental objectives and risk control cannot be analysed separately [16]. Nonetheless, a bank cannot infer that financing a nationally prioritised project is

automatically low risk. Developmental alignment strengthens the case for due diligence on project milestones, repayment sources, counterparty dependencies and contingency financing. Policy ambitions should inform sector strategy without replacing prudential challenge at transaction level.

5. An Integrated Governance and Assurance Framework

Figure 1 presents a three-level architecture. At the strategic level, the board sets financing appetite, materiality thresholds and risk

concentration tolerances while its committees examine independent credit and Shariah perspectives. At the execution level, management translates those boundaries into product approval, customer selection, documentation standards, monitoring and recovery. At the assurance level, internal audit verifies whether stated controls operate, identifies systemic exceptions and follows remedial action to closure. A shared escalation protocol links the levels without transferring accountability for credit decisions to auditors.

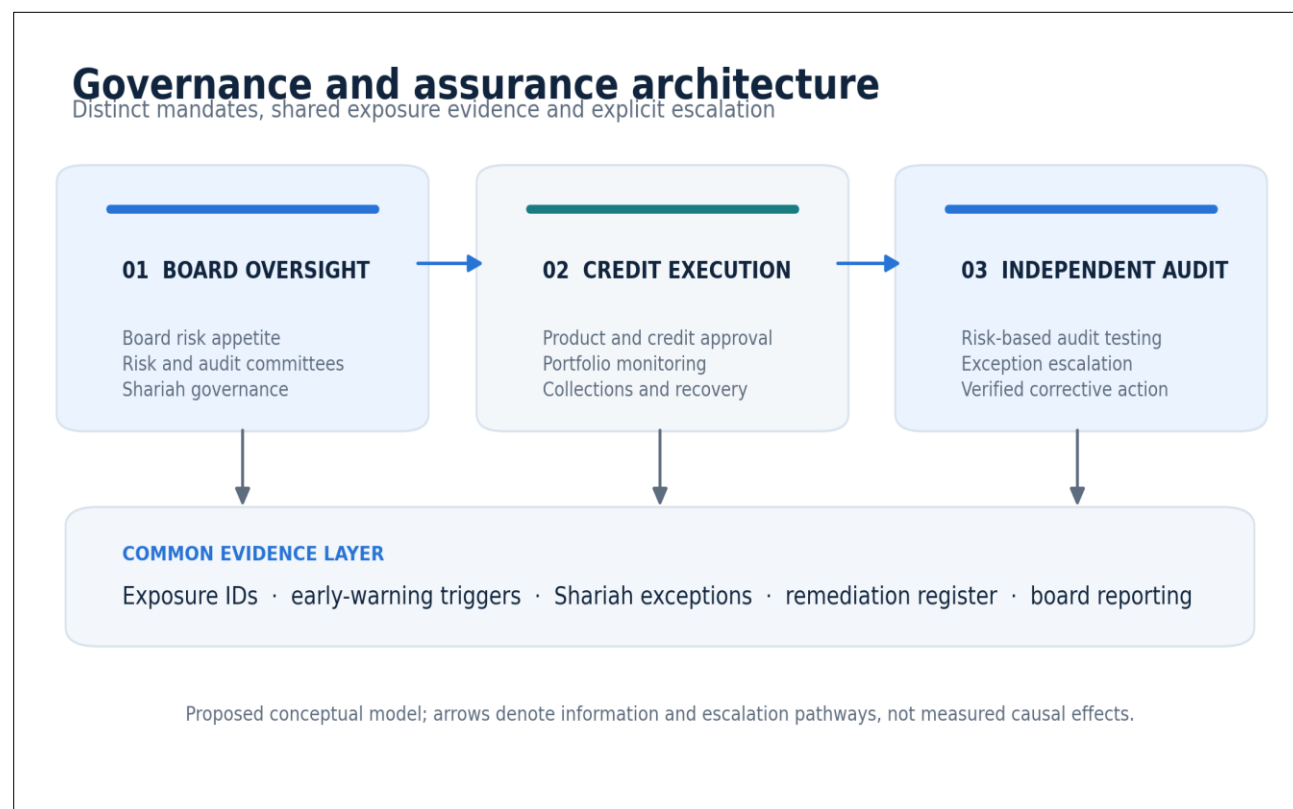


Figure 1: Proposed interfaces between strategic oversight, first-line financing and independent assurance.

The proposed framework depends on five design principles. First, each financing exposure should have an identifiable owner with accountability for the complete life cycle. Secondly, a minimum evidence standard should apply before funds are released, with contract-specific supplements rather than unchecked exemptions. Thirdly, critical risk signals should trigger decisions within predetermined times. Fourthly, Shariah compliance findings with financial consequences should be cross-referred to risk and audit functions. Fifthly, the board should evaluate repeat control failures and unresolved recommendations alongside financial performance, rather than treating them as administrative matters.

An operational risk register is the framework's organising device. Every material issue should contain an exposure or portfolio identifier, risk description, affected control, severity basis, owner, management action, due date and closure evidence. The register should distinguish an accepted risk from an unremediated control failure; acceptance cannot be used to conceal repeated breaches. Exception severity should reflect potential loss, number of affected contracts, regulatory or Shariah implications and likelihood of recurrence. Audit should verify closure independently where management's claim concerns a high-severity finding.

The framework is intended to reconcile two potentially competing goals: broaden access to productive financing and avoid transferring excessive losses to customers, fund providers or the wider economy. It does not prescribe a uniformly conservative credit posture. Instead, it requires the bank to demonstrate why additional risk falls within agreed appetite, what compensating controls exist, and how emerging deterioration would be detected. Islamic financial institutions can legitimately support unfamiliar but viable sectors when underwriting is adapted to the exposure and oversight is proportionate to uncertainty.

Implementation should be phased. The first phase maps existing policies, overlapping committee responsibilities and missing hand-offs. The second defines common exposure identifiers, escalation thresholds and management information, keeping the underlying product structures visible. The third introduces risk-weighted audit planning,

collaborative referrals and independent follow-up. The fourth evaluates outcomes using recurring exceptions, watch-list movements, cure performance and audit remediation rather than output volumes alone. Risk committees should own the evidence required for approving a change in limits, while audit committees should ensure that tests of limit compliance remain independent.

Figure 2 expresses the recurrent assurance process as a decision cycle. It begins with signals, not with the audit calendar. Prioritisation then sets scope according to risk, after which auditors test both transactional evidence and portfolio-level controls. Findings lead to documented accountable action and verification; unresolved or recurring defects feed back into risk appetite, model calibration and future audit plans. This feedback matters particularly when sector concentrations are rising or digital products are developing faster than established control manuals.

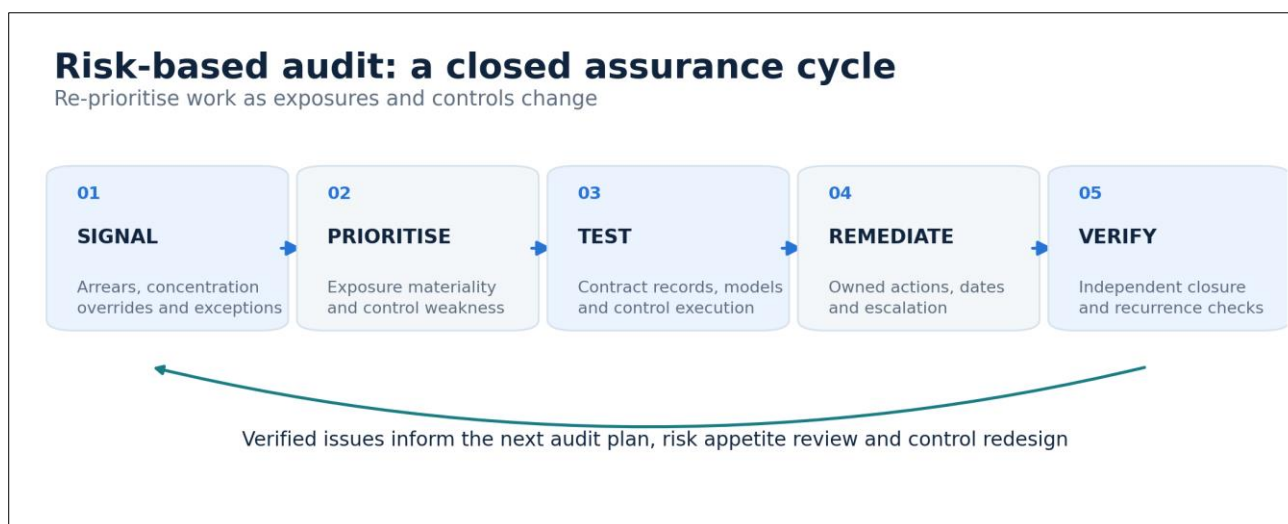


Figure 2: Conceptual risk-based audit sequence with evidence-driven re-prioritisation

The framework should be assessed against falsifiable propositions. One proposition is that institutions with timely cross-functional escalation will exhibit shorter periods of severe unresolved credit findings. A second is that risk-weighted audit allocation will identify material control breakdowns earlier than fixed-cycle coverage, conditional on comparable exposure and audit resources. A third is that verified remediation will be associated with fewer recurring exceptions and more reliable portfolio classifications. These are hypotheses for future research, not reported outcomes from the reviewed literature. They can be assessed using bank-year panels, event histories and controlled process comparisons, alongside interviews tracing how decisions were actually made.

6. Implications for Saudi Banks and Policymakers

For bank boards, the immediate question is whether management's financing growth narrative is supported by credible adverse-case evidence. Papers from Saudi Arabia indicate meaningful institutional variation in governance and implementation [8, 9]. Boards can respond by requiring a common risk taxonomy while allowing product-specific controls, preserving direct escalation from specialist Shariah and audit functions, and commissioning reviews where portfolio expansion outpaces the maturity of controls. This is compatible with commercially ambitious lending when risks are appropriately priced, monitored and supported by capital.

For internal audit leaders, the practical shift is from demonstrating annual coverage to demonstrating risk relevance. Plans should be refreshed when concentrations, arrears, restructuring or control overrides worsen. Specialist competence is essential for interpreting Islamic financing documentation and for testing model assumptions without becoming an operational decision-maker. Banks should protect auditors' access to data and enable confidential reporting of material findings to the audit committee. Evidence from governance and assurance studies supports these safeguards but does not establish a single optimal staffing model [18–20].

For supervisory authorities, more comparable disclosure of deteriorating financing, governance exceptions and remediation practices may improve the ability to distinguish resilient expansion from latent fragility. Comparative work on capital and macroprudential policy cautions against assuming identical transmission across banking models [1–29]. Regulatory evaluation should therefore consider substantive decision processes as well as formal compliance. The contribution to Vision 2030 is a banking system able to provide durable finance while making the underlying credit judgements demonstrably accountable.

7. LIMITATIONS AND RESEARCH AGENDA

This review has boundaries. It synthesises selected published evidence without access to Saudi supervisory datasets, individual credit files or internal audit work papers. Some studies pool jurisdictions and banking models; others examine profitability or risk-taking rather than realised credit losses. Consequently, the framework is a reasoned proposition, not an intervention already shown to reduce defaults. A single review cannot settle questions of causality, optimal committee composition or the distributional effects of financing decisions.

Future research should compare full-service Islamic banks with Islamic windows, separating contract types and periods of rapid financing growth. Process-tracing studies could investigate whether Shariah exceptions generate timely credit actions; panel studies could test the association between verified audit closure and subsequent deterioration. Qualitative work should examine how audit independence operates when major exposures have powerful sponsors. Publicly observable disclosures might offer partial proxies, but researchers should state clearly where confidential data are necessary to evaluate actual control performance.

8. CONCLUSION

Sustainable Islamic debt financing in Saudi Arabia requires a governance system that can explain, challenge and correct risk-bearing decisions throughout the financing life cycle. The reviewed literature supports the importance of governance, Shariah expertise, prudent supervision and independent assurance, while also demonstrating that their measured effects vary by context and outcome. The relevant policy question is therefore not how many committees exist but whether information moves between them accurately and in time to alter decisions.

The proposed framework joins risk appetite, contract-sensitive underwriting, early-warning surveillance, independent audit and verified remediation within a single accountability structure. It contributes a set of interfaces and testable propositions rather than claiming new statistical results. Applied critically and evaluated against bank-level evidence, the approach could help Saudi Islamic banks expand developmentally useful financing without relaxing the discipline that makes such expansion resilient. The decisive standard is the quality of evidence behind each financing commitment and the institution's willingness to act when that evidence changes.

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