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Research Article

THE IMPLEMENTATION OF SHARIA COMPLIANCE AUDITS IN IMPROVING CORPORATE INTEGRITY AND PERFORMANCE

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Abstract

Increasing demands for transparency, accountability, and ethical governance have intensified the need for effective audit mechanisms within Sharia-compliant organizations. Sharia compliance audits have emerged as an important governance instrument designed to ensure that organizational activities, financial transactions, and operational practices adhere to Islamic principles while supporting sustainable organizational performance. Growing expansion of Islamic financial institutions and Sharia-oriented enterprises has heightened interest in understanding the broader impact of Sharia auditing beyond regulatory compliance. This study aims to examine the implementation of Sharia compliance audits and evaluate their effectiveness in improving corporate integrity and organizational performance. A quantitative research design was employed involving 350 managers, internal auditors, compliance officers, Sharia supervisory board members, and senior administrators from various Sharia-compliant institutions. Data were collected through structured questionnaires and analyzed using Structural Equation Modeling (SEM). Findings indicate that Sharia compliance audit implementation significantly enhances corporate integrity by strengthening transparency, accountability, ethical conduct, and stakeholder trust. Results further reveal that effective audit implementation positively influences organizational performance, including operational efficiency, institutional sustainability, and stakeholder confidence. Corporate integrity was found to partially mediate the relationship between audit implementation and organizational performance, highlighting its strategic role in governance effectiveness. The study concludes that Sharia compliance audits function as comprehensive governance mechanisms that contribute not only to regulatory adherence but also to integrity enhancement and sustainable organizational performance within Sharia-oriented institutions.

Keywords: Corporate Integrity, Organizational Performance, Sharia Compliance Audits

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INTRODUCTION

Corporate governance has become an increasingly important concern in contemporary business environments characterized by heightened stakeholder expectations, regulatory scrutiny, and demands for ethical accountability (Makmur, 2024). Organizations are expected not only to achieve financial success but also to demonstrate integrity, transparency, and responsible conduct in their operational activities (Muryanto, 2023). Corporate scandals, financial misconduct, and governance failures have intensified the need for robust monitoring mechanisms capable of ensuring organizational accountability. Effective governance systems are therefore recognized as essential foundations for sustainable business performance and stakeholder trust (Srairi, 2024; Tlemsani et al., 2023).

Audit functions play a central role in strengthening governance structures by providing independent assessments of organizational compliance, risk management practices, and internal controls (Alsulami & Chafai, 2024). Traditional auditing approaches primarily focus on financial reporting accuracy and regulatory compliance (Zafar, 2026). Expanding stakeholder expectations have encouraged organizations to adopt broader audit frameworks that evaluate ethical behavior, governance quality, and compliance with organizational values. These developments have increased interest in specialized auditing mechanisms capable of addressing unique institutional and ethical requirements (Boudawara et al., 2023; Narayan et al., 2025).

Sharia compliance audits have emerged as an important governance instrument within Islamic financial institutions and Sharia-oriented business organizations. These audits assess whether organizational activities, financial transactions, contracts, products, and operational practices comply with Islamic legal and ethical principles (Nasih et al., 2025; Zakiy et al., 2023). Growing expansion of Islamic finance and Sharia-based business sectors has heightened the importance of ensuring compliance with Islamic governance standards (Mutamimah et al., 2022). Effective implementation of Sharia compliance audits is increasingly viewed as a mechanism for strengthening corporate integrity, improving organizational accountability, and enhancing overall business performance (Junaidi et al., 2025).

Implementation of Sharia compliance audits remains inconsistent across organizations despite increasing recognition of their importance (Prati et al., 2024). Variations in audit methodologies, governance frameworks, institutional capacities, and regulatory requirements create challenges in achieving standardized and effective audit practices (Kok et al., 2022; Ryandono et al., 2025). Many organizations continue to face difficulties in integrating Sharia compliance assessments into broader corporate governance systems. These inconsistencies raise concerns regarding the reliability and effectiveness of Sharia auditing processes in promoting organizational integrity (Deberdt et al., 2024; Khamisu et al., 2024).

Questions remain regarding the extent to which Sharia compliance audits contribute to measurable improvements in corporate performance (Al-Khazaleh et al., 2024). Existing organizational practices frequently emphasize compliance verification without adequately examining broader impacts on operational efficiency, risk management, stakeholder confidence, and long-term sustainability (Benamraoui et al., 2023; Sumi et al., 2024). Limited empirical evidence exists concerning the mechanisms through which Sharia audit implementation influences organizational outcomes. Uncertainty surrounding these relationships restricts understanding of the strategic value of Sharia auditing beyond regulatory compliance requirements (Alharasis et al., 2024).

Corporate integrity represents a multidimensional concept involving ethical behavior, transparency, accountability, and adherence to organizational values (Sanad, 2024). Sharia compliance audits are expected to strengthen these dimensions; however, evidence regarding their effectiveness remains fragmented (Gati et al., 2024). Insufficient understanding of how audit processes influence integrity-related outcomes creates challenges for policymakers, regulators, and organizational leaders seeking to enhance governance quality (Qasem et al., 2023). Comprehensive investigation is therefore required to evaluate the role of Sharia compliance audits in promoting both integrity and performance within contemporary organizations (Mohd Haridan et al., 2024).

This study aims to examine the implementation of Sharia compliance audits and evaluate their effectiveness in improving corporate integrity (Taufik Syamlan et al., 2025). Particular attention is directed toward understanding how audit mechanisms contribute to transparency, accountability, ethical conduct, and compliance with Islamic governance principles. The study seeks to provide a comprehensive assessment of the role of Sharia auditing within organizational governance systems (Ameraldo et al., 2025).

Another objective of the study is to analyze the relationship between Sharia compliance audits and corporate performance outcomes. Investigation focuses on identifying how audit practices influence operational effectiveness, risk management quality, stakeholder trust, organizational reputation, and financial sustainability (Bin-Armia et al., 2024; Jaradat & Oudat, 2024). Examination of these relationships is expected to provide insights regarding the strategic benefits associated with effective audit implementation.

The study further aims to develop an integrated understanding of how Sharia governance mechanisms support organizational excellence in increasingly complex business environments (Alam & Miah, 2024). Findings are expected to generate evidence-based recommendations for regulators, auditors, managers, and policymakers seeking to strengthen governance practices through Sharia-compliant audit systems. Achievement of these objectives may contribute to broader efforts aimed at enhancing organizational integrity and sustainable corporate performance (Yusmazida et al., 2025).

Previous studies have extensively explored the relationship between corporate governance, auditing practices, and organizational performance. Existing literature has demonstrated that effective audit systems contribute to stronger internal controls, improved accountability, reduced fraud risks, and enhanced stakeholder confidence (Andespa et al., 2024). Research within Islamic finance has similarly emphasized the importance of Sharia governance mechanisms in ensuring compliance with Islamic principles and maintaining institutional legitimacy. Valuable insights have emerged regarding the operational and regulatory dimensions of Sharia auditing (Aljbour et al., 2025; A. M. Tessema et al., 2024).

Current literature remains fragmented concerning the broader organizational implications of Sharia compliance audits. Many studies focus primarily on technical compliance assessments, governance structures, or regulatory frameworks (A. Tessema & Abou-El-Sood, 2025). Limited attention has been directed toward understanding how audit implementation affects corporate integrity and performance simultaneously. Existing research often examines governance outcomes and performance indicators separately, creating an incomplete understanding of the interconnected effects of Sharia auditing practices (Susanty et al., 2025).

Comprehensive frameworks integrating integrity, governance, and performance dimensions within a single analytical model remain relatively scarce. Insufficient empirical evidence exists regarding the pathways through which Sharia compliance audits generate organizational value beyond compliance verification (Khémiri et al., 2026). Limited exploration of these relationships restricts theoretical development and practical implementation efforts. Addressing this gap can contribute to a more holistic understanding of the strategic significance of Sharia compliance audits within modern corporate governance systems (Şahin, 2025).

The novelty of this study lies in its integrated examination of Sharia compliance audits as mechanisms for enhancing both corporate integrity and organizational performance. Existing research frequently evaluates Sharia audits from a regulatory or compliance perspective without fully considering their broader governance implications. This study extends current scholarship by investigating how audit implementation contributes simultaneously to ethical governance outcomes and business performance improvements. Such an approach provides a more comprehensive understanding of the strategic role of Sharia auditing.

Innovative value is further reflected in the proposed conceptual framework that combines Sharia governance theory, corporate integrity principles, and organizational performance perspectives. Integration of these dimensions enables analysis that moves beyond traditional compliance-centered evaluations. Examination of the interactions among audit implementation, integrity enhancement, and performance outcomes offers a multidimensional perspective capable of explaining how governance mechanisms generate organizational value.

The significance of this research extends beyond academic inquiry to encompass practical, managerial, and regulatory relevance. Organizations operating within Islamic financial and business sectors increasingly face demands for ethical accountability, transparency, and sustainable performance. Regulators and stakeholders require evidence regarding the effectiveness of Sharia governance mechanisms in achieving these objectives. Findings from this study are expected to provide valuable guidance for strengthening audit practices, improving governance quality, and promoting long-term organizational sustainability through effective implementation of Sharia compliance audits.

RESEARCH METHOD

Research Design

This study employed a quantitative research design using a cross-sectional survey approach to examine the implementation of Sharia compliance audits and their influence on corporate integrity and organizational performance. The quantitative approach was selected because the study aimed to measure the relationships among Sharia audit implementation, corporate integrity, and performance outcomes through empirical data analysis. Emphasis was placed on identifying the extent to which Sharia compliance auditing contributes to strengthening governance quality and enhancing organizational effectiveness within Sharia-oriented institutions.

A conceptual framework was developed by integrating Sharia governance theory, corporate integrity theory, and organizational performance perspectives. The framework assumes that effective implementation of Sharia compliance audits strengthens transparency, accountability, ethical conduct, and compliance with Islamic principles, which subsequently improve organizational performance. Corporate integrity was conceptualized as a multidimensional construct encompassing honesty, ethical responsibility, transparency, accountability, and adherence to governance standards. Organizational performance included financial performance, operational efficiency, stakeholder trust, and institutional sustainability (Hamdi, 2025).

Structural Equation Modeling (SEM) was employed as the primary analytical technique because it enables simultaneous examination of multiple latent constructs and complex causal relationships. The research design facilitated both measurement model validation and structural model testing, thereby providing a comprehensive methodological foundation for evaluating the effectiveness of Sharia compliance audits in enhancing corporate governance outcomes.

Research Target/Subject

The population of this study consisted of managers, internal auditors, Sharia supervisory board members, compliance officers, and senior administrators working within Islamic financial institutions and Sharia-compliant business organizations. These individuals were selected because they possess direct involvement in governance processes, audit implementation, and organizational performance evaluation. Their experiences and perspectives provide valuable insights into the practical application of Sharia compliance auditing systems.

Sample selection was conducted using purposive sampling techniques. Respondents were required to meet several criteria, including active involvement in audit, compliance, governance, or managerial functions and a minimum of two years of professional experience within a Sharia-oriented institution. Application of these criteria ensured that participants possessed adequate knowledge regarding audit procedures, governance mechanisms, and organizational performance outcomes (Khan et al., 2025).

A total of 350 respondents were selected from Islamic banks, Islamic insurance companies, Islamic cooperatives, microfinance institutions, and other Sharia-compliant organizations. Sample size determination followed recommendations for SEM analysis, which require sufficient observations to estimate latent variable relationships reliably. Inclusion of diverse institutional types enhanced the representativeness of the sample and strengthened the generalizability of the findings.

Research Procedure

The research process commenced with the development and validation of the survey instrument. Expert evaluations and pilot testing involving 35 professionals from Islamic financial institutions were conducted to assess clarity, relevance, and comprehensibility of the questionnaire items. Revisions were implemented based on participant feedback and preliminary statistical assessment results to improve instrument quality.

Data collection was conducted through both online and face-to-face survey administration. Questionnaires were distributed to selected respondents through institutional networks, professional associations, and organizational contacts. Participants were informed about the purpose of the study, confidentiality procedures, and ethical considerations prior to participation. Voluntary participation and informed consent were obtained from all respondents before data collection commenced (Abojeib et al., 2023).

Data analysis proceeded through several stages. Preliminary analysis included data screening, missing value assessment, outlier detection, normality evaluation, and descriptive statistical analysis. Measurement model evaluation was subsequently performed to examine validity and reliability indicators. Structural Equation Modeling was then employed to test the hypothesized relationships among Sharia compliance audit implementation, corporate integrity, and organizational performance. Interpretation of the findings focused on identifying the effectiveness of Sharia auditing practices in strengthening governance quality and improving organizational outcomes within Sharia-compliant institutions.

Instruments, and Data Collection Techniques

Data were collected using a structured questionnaire developed from validated instruments reported in previous studies concerning corporate governance, Sharia auditing, organizational integrity, and performance management. The questionnaire consisted of two sections. The first section collected demographic and professional information, including age, educational background, job position, years of experience, and institutional affiliation. The second section measured the latent variables included in the conceptual framework.

Measurement items utilized a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). Sharia compliance audit implementation was measured through indicators related to audit procedures, compliance monitoring, governance effectiveness, and adherence to Sharia principles. Corporate integrity was assessed through transparency, accountability, ethical behavior, stakeholder responsibility, and governance quality indicators. Organizational performance was measured through operational efficiency, financial sustainability, stakeholder confidence, and institutional effectiveness (Permatasari et al., 2024).

Validity and reliability assessments were conducted before the main analysis. Content validity was evaluated through expert review involving scholars in Islamic finance, auditing, and corporate governance. Construct validity was examined using Confirmatory Factor Analysis (CFA), while reliability was assessed through Cronbach's alpha and composite reliability coefficients. Acceptance thresholds above 0.70 were applied to confirm adequate measurement quality.

RESULTS AND DISCUSSION

The study involved 350 respondents representing Islamic banks, Islamic insurance companies, Islamic microfinance institutions, Islamic cooperatives, and other Sharia-compliant organizations. Respondents consisted of managers (31.4%), internal auditors (24.9%), Sharia supervisory board members (18.3%), compliance officers (15.7%), and senior administrators (9.7%). Professional experience ranged from 2 to 20 years, with an average experience of 8.6 years. These characteristics indicate that the respondents possessed substantial knowledge regarding Sharia governance practices and audit implementation procedures.

Descriptive statistical analysis revealed favorable perceptions regarding the implementation of Sharia compliance audits and their organizational impacts. Sharia compliance audit implementation achieved a mean score of 4.26 (SD = 0.53), corporate integrity recorded a mean of 4.18 (SD = 0.58), and organizational performance demonstrated a mean value of 4.12 (SD = 0.61). Transparency indicators obtained the highest average score (M = 4.31), followed by accountability (M = 4.24), ethical compliance (M = 4.20), and stakeholder trust (M = 4.15).

Table 1. Descriptive Statistics of Research Variables

Variable	Mean	SD
Sharia Compliance Audit Implementation	4.26	0.53
Corporate Integrity	4.18	0.58
Organizational Performance	4.12	0.61
Transparency	4.31	0.55
Accountability	4.24	0.57
Ethical Compliance	4.20	0.59
Stakeholder Trust	4.15	0.62

The descriptive findings indicate that Sharia compliance audits are generally implemented at a high level across the participating organizations. High scores on audit implementation suggest that institutions have integrated Sharia governance mechanisms into operational, financial, and compliance activities. Audit practices appear to function as systematic tools for monitoring adherence to Islamic principles and organizational policies.

Corporate integrity indicators also demonstrated strong performance. High levels of transparency and accountability suggest that organizations implementing Sharia audits place considerable emphasis on ethical governance practices. Positive stakeholder trust scores further indicate that audit activities contribute to strengthening organizational credibility and confidence among both internal and external stakeholders.

Assessment of the measurement model demonstrated satisfactory psychometric properties. Factor loadings ranged from 0.728 to 0.921, exceeding the recommended threshold of 0.70. Composite reliability values varied between 0.857 and 0.936, while Cronbach's alpha coefficients ranged from 0.814 to 0.924. Average Variance Extracted (AVE) values exceeded 0.50 for all constructs, confirming acceptable convergent validity.

Discriminant validity analysis confirmed that each construct represented a distinct conceptual dimension. Cross-loading examination and Fornell-Larcker criterion evaluation demonstrated adequate differentiation among Sharia audit implementation, corporate integrity, and organizational performance. These results indicate that the measurement model possesses strong reliability and validity characteristics suitable for structural model evaluation.

Structural Equation Modeling results revealed significant positive relationships among the study variables. Sharia compliance audit implementation exhibited a strong positive effect on corporate integrity ($\beta = 0.681$, $p < 0.001$). Organizations reporting higher levels of audit implementation demonstrated significantly stronger transparency, accountability, ethical compliance, and stakeholder trust outcomes. These findings indicate that Sharia audits function as effective governance mechanisms for strengthening organizational integrity.

Sharia compliance audit implementation also demonstrated a significant positive influence on organizational performance ($\beta = 0.542$, $p < 0.001$). Corporate integrity further exerted a significant positive effect on organizational performance ($\beta = 0.476$, $p < 0.001$). The model explained 64.7% of the variance in corporate integrity and 69.2% of the variance in organizational performance. Goodness-of-fit indicators demonstrated satisfactory model performance, including CFI = 0.952, TLI = 0.946, RMSEA = 0.043, and SRMR = 0.039.

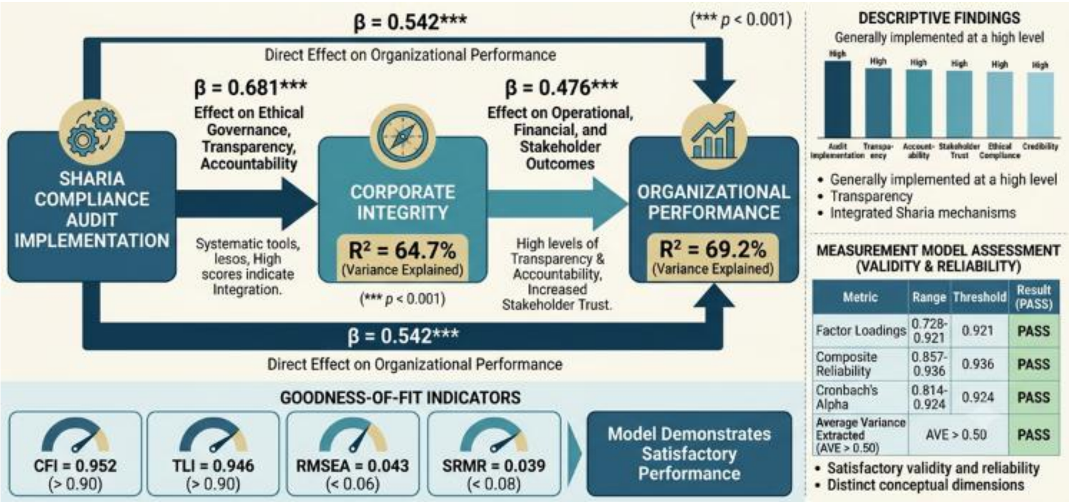

Figure 1. Impact of Sharia Compliance Audit on Corporate Integrity and Organizational Performance: A SEM Analysis

Analysis of structural relationships revealed that corporate integrity partially mediated the relationship between Sharia compliance audit implementation and organizational performance. Organizations with stronger audit systems tended to demonstrate higher integrity levels, which subsequently enhanced organizational effectiveness. This pattern suggests that integrity serves as an important mechanism through which audit practices generate performance improvements.

Relationships among transparency, accountability, and stakeholder trust were also particularly strong. Improvements in transparency were associated with greater accountability and stronger stakeholder confidence. These interconnected relationships indicate that Sharia audit implementation contributes to the development of a governance environment that supports both ethical conduct and operational success.

A representative case study involved an Islamic commercial bank that implemented a comprehensive Sharia compliance audit framework over a three-year period. Prior to implementation, the institution experienced inconsistencies in compliance monitoring, documentation procedures, and governance reporting. Internal assessments identified weaknesses in coordination between operational departments and Sharia supervisory functions.

Implementation of an integrated Sharia audit system introduced standardized compliance procedures, periodic monitoring mechanisms, and enhanced reporting structures. Organizational records indicated a 29% reduction in compliance-related findings and a 24% improvement in stakeholder satisfaction indicators. Management reports also documented improvements in operational efficiency and decision-making transparency following implementation.

A second case study involved an Islamic microfinance institution serving small-scale entrepreneurs. The institution initially relied on informal compliance reviews and limited documentation practices. Concerns emerged regarding consistency in contract implementation and adherence to Sharia principles across financing operations.

Introduction of a structured Sharia audit program improved monitoring processes, strengthened governance controls, and enhanced employee awareness of compliance requirements. Institutional performance reports indicated a 21% increase in client trust levels and a 17% improvement in financing portfolio quality within two years. Audit reports also documented stronger compliance consistency across operational activities.

The Islamic banking case demonstrates how structured audit systems contribute to governance improvement through enhanced oversight, accountability, and procedural consistency. Reduction in compliance-related findings suggests that systematic auditing strengthens organizational control mechanisms and reduces governance risks. Increased stakeholder satisfaction further reflects the positive impact of transparent governance practices.

Observations from the microfinance institution illustrate the importance of audit implementation in reinforcing institutional credibility. Enhanced monitoring procedures and improved employee awareness contributed to stronger adherence to Sharia principles and greater stakeholder confidence. Governance improvements therefore appear closely linked to organizational reputation and service quality.

Evidence from both case studies reinforces the statistical findings generated through SEM analysis. Positive changes in governance quality, stakeholder trust, and organizational effectiveness align with the broader quantitative evidence regarding the benefits of Sharia compliance audits. Consistency between empirical and practical observations strengthens confidence in the proposed conceptual framework.

Broader explanatory patterns indicate that audit effectiveness depends on systematic implementation, management commitment, and organizational integration. Sharia audits appear most effective when embedded within broader governance structures rather than functioning solely as compliance verification mechanisms (Makmur, 2024; Muryanto, 2023).

The findings indicate that Sharia compliance audits play a significant role in strengthening corporate integrity and enhancing organizational performance. Effective audit implementation contributes directly to transparency, accountability, ethical conduct, and stakeholder trust while simultaneously improving operational effectiveness and institutional sustainability. Corporate integrity functions as a critical intermediary mechanism linking audit implementation to performance outcomes.

Overall evidence suggests that Sharia compliance audits should be viewed as strategic governance instruments rather than merely regulatory requirements. Organizations that effectively integrate Sharia auditing into governance systems appear better positioned to achieve sustainable performance, strengthen stakeholder confidence, and maintain compliance with Islamic ethical principles. These findings highlight the growing importance of Sharia governance mechanisms in contemporary organizational management.

The findings demonstrate that the implementation of Sharia compliance audits significantly enhances corporate integrity and organizational performance within Sharia-compliant institutions. Statistical analysis revealed that audit implementation exerts a strong positive influence on transparency, accountability, ethical conduct, and stakeholder trust. Organizations that adopted comprehensive Sharia audit frameworks reported higher levels of governance quality and stronger adherence to Islamic principles. These outcomes indicate that Sharia audits function as effective mechanisms for strengthening organizational integrity.

Corporate integrity emerged as a central outcome of Sharia audit implementation. High levels of transparency and accountability were consistently associated with stronger audit practices. Institutions that maintained systematic monitoring procedures and periodic compliance evaluations demonstrated greater commitment to ethical governance standards. Integrity therefore appears to be directly influenced by the effectiveness of audit systems embedded within organizational structures (Srairi, 2024).

Results also indicate that Sharia compliance audits positively affect organizational performance. Improved governance practices contributed to enhanced operational efficiency, stronger stakeholder confidence, and greater institutional sustainability. Performance improvements were not limited to financial outcomes but extended to broader organizational dimensions, including reputation, trustworthiness, and governance effectiveness.

Corporate integrity was found to partially mediate the relationship between Sharia audit implementation and organizational performance. Strong audit systems improved integrity-related outcomes, which subsequently contributed to higher organizational effectiveness. This finding suggests that integrity serves as an important mechanism through which governance practices generate sustainable performance improvements.

The findings are consistent with previous studies emphasizing the importance of auditing as a governance instrument capable of strengthening accountability and organizational control. Earlier research has demonstrated that effective audit systems contribute to fraud prevention, regulatory compliance, and governance enhancement. Similar patterns emerged in the present study, where Sharia compliance audits significantly improved transparency and accountability within participating institutions.

Results also support existing literature on Sharia governance, which argues that compliance mechanisms play a critical role in maintaining institutional legitimacy and stakeholder confidence. Previous investigations have highlighted the importance of Sharia supervisory functions in ensuring adherence to Islamic principles. Comparable evidence was identified in this study, where audit implementation strengthened both ethical compliance and organizational credibility.

Differences become apparent when examining the broader organizational impacts of Sharia compliance audits. Several previous studies concentrated primarily on technical compliance verification and regulatory adherence (Tlemsani et al., 2023). Findings from the present study suggest that Sharia audits contribute to a wider range of organizational outcomes, including performance enhancement, stakeholder trust development, and governance quality improvement. Such results expand the understanding of Sharia auditing beyond its traditional compliance-oriented role.

Variations were also observed regarding the mediating role of corporate integrity. Earlier studies often treated governance and performance as separate analytical dimensions. Findings from this research demonstrate that integrity functions as an intermediary mechanism linking audit implementation to organizational success. This perspective provides a more integrated explanation of how governance practices influence institutional outcomes.

The findings signify that corporate integrity is not merely a normative aspiration but a measurable organizational asset that can be strengthened through systematic governance mechanisms. Sharia compliance audits provide structured procedures that encourage transparency, accountability, and ethical behavior. Integrity therefore emerges as a practical outcome of effective governance implementation rather than a purely symbolic organizational value.

Evidence also signifies the growing strategic importance of Sharia governance within contemporary organizations. Expansion of Islamic financial services and Sharia-oriented businesses has increased stakeholder expectations regarding ethical accountability. Positive outcomes associated with audit implementation suggest that Sharia governance frameworks can contribute meaningfully to organizational excellence in increasingly complex business environments.

Patterns identified throughout the analysis further signify that organizational performance is closely connected to ethical governance practices. Traditional perspectives frequently separate financial performance from governance quality. Findings from this study indicate that effective governance systems can directly contribute to operational effectiveness, institutional resilience, and stakeholder confidence. Ethical compliance and organizational success therefore appear mutually reinforcing rather than competing objectives.

Results additionally signify the importance of institutional trust as a component of sustainable organizational development. Stakeholders are more likely to engage with organizations perceived as transparent, accountable, and ethically responsible. Sharia compliance audits contribute to the creation of trust-based relationships that strengthen organizational legitimacy and long-term sustainability.

Implications for organizational leaders involve the need to view Sharia compliance audits as strategic governance instruments rather than regulatory obligations. Audit systems should be integrated into broader governance frameworks that support transparency, accountability, and continuous improvement. Organizations that invest in effective audit implementation may achieve both governance and performance benefits (Alsulami & Chafai, 2024).

Implications for regulators concern the development of standardized Sharia audit frameworks and implementation guidelines. Consistency in audit practices may enhance governance quality across institutions and strengthen stakeholder confidence in Sharia-compliant sectors. Regulatory authorities should therefore encourage capacity building and professional development among audit practitioners.

Implications for auditors and Sharia supervisory boards include the necessity of expanding audit functions beyond compliance verification. Audit activities should contribute to organizational learning, risk management, and governance improvement. Broader engagement with strategic and operational issues may increase the value generated by Sharia auditing processes.

Implications for stakeholders extend to investors, customers, and society more broadly. Enhanced governance quality strengthens institutional credibility and reduces uncertainty regarding organizational behavior. Improved integrity and transparency may therefore contribute to stronger stakeholder relationships and more sustainable organizational ecosystems.

The observed outcomes can be explained by the governance functions performed by Sharia compliance audits. Audit procedures create systematic mechanisms for monitoring organizational activities, identifying compliance gaps, and recommending corrective actions. Continuous oversight strengthens adherence to both regulatory requirements and ethical standards, thereby enhancing organizational integrity.

Positive effects on performance arise because effective governance reduces operational inefficiencies and governance-related risks. Organizations possessing stronger audit systems are better equipped to detect problems, improve decision-making processes, and maintain accountability. These improvements contribute directly to enhanced organizational effectiveness and sustainability.

Corporate integrity emerged as a mediator because governance practices influence organizational outcomes through behavioral and cultural mechanisms. Audit systems encourage ethical conduct, transparency, and responsibility among organizational members. Stronger integrity creates an environment conducive to trust, collaboration, and effective resource utilization, which ultimately improves performance.

Stakeholder trust increased because Sharia audits provide assurance regarding compliance with Islamic principles and governance standards. Stakeholders are more willing to support organizations that demonstrate commitment to ethical conduct and accountability. Increased confidence therefore contributes to stronger organizational reputation and long-term success.

Future research should examine the long-term effects of Sharia compliance audits on organizational sustainability, financial performance, and stakeholder relationships. Longitudinal studies may provide deeper insights into how governance improvements evolve over time and influence institutional development. Such evidence would strengthen understanding of the enduring value of Sharia auditing systems.

Comparative studies involving different institutional contexts, industries, and regulatory environments would further enrich the literature. Variations in governance structures and organizational characteristics may influence audit effectiveness in different ways. Broader comparative analysis could support the development of more context-sensitive governance frameworks.

Emerging technologies such as artificial intelligence, blockchain, data analytics, and digital auditing systems deserve greater scholarly attention. Integration of technological innovation with Sharia governance practices may enhance audit efficiency, monitoring accuracy, and compliance assurance. Investigation of these developments may contribute to the modernization of Sharia auditing practices.

Practical initiatives should focus on strengthening professional competencies, improving audit standards, and enhancing collaboration among regulators, auditors, and organizational leaders. Comprehensive efforts combining governance reform, technological innovation, and capacity development are likely to maximize the contribution of Sharia compliance audits to corporate integrity and organizational performance in the future.

CONCLUSION

The most significant finding of this study is that Sharia compliance audits contribute not only to regulatory and religious compliance but also to the enhancement of corporate integrity and organizational performance. The results demonstrate that effective audit implementation strengthens transparency, accountability, ethical conduct, and stakeholder trust, which subsequently improve operational effectiveness and institutional sustainability. Corporate integrity was found to function as a mediating mechanism linking audit implementation to performance outcomes, indicating that governance improvements generated through Sharia auditing create broader organizational benefits. This finding distinguishes the study from conventional audit research by demonstrating that Sharia compliance audits serve as strategic governance instruments rather than merely compliance verification tools.

The principal contribution of this research lies in its integrated conceptual and methodological approach to examining the relationship among Sharia compliance audits, corporate integrity, and organizational performance. Conceptually, the study combines Sharia governance theory, corporate integrity principles, and organizational performance perspectives within a single analytical framework. Methodologically, the application of Structural Equation Modeling provides empirical evidence regarding the direct and indirect effects of audit implementation on governance and performance outcomes. This multidimensional framework extends existing literature by offering a more comprehensive explanation of how Sharia audit systems generate organizational value and contribute to sustainable corporate governance.

Several limitations should be acknowledged. The study employed a cross-sectional design, limiting the ability to observe changes in governance quality and performance outcomes over time. Data collection relied primarily on self-reported perceptions from organizational personnel, which may introduce subjective evaluation bias. Differences in institutional size, industry characteristics, and regulatory environments may also affect the generalizability of the findings. Future research should employ longitudinal approaches to examine the long-term effects of Sharia compliance audits, conduct comparative studies across different sectors and jurisdictions, and investigate the integration of emerging technologies such as artificial intelligence, blockchain, and digital auditing systems in strengthening Sharia governance effectiveness. Such efforts may provide deeper insights into the evolving role of Sharia compliance audits in enhancing corporate integrity and sustainable organizational performance.

DECLARATION OF AI AND AI ASSISTED TECHNOLOGIES IN THE WRITING PROCESS

During the preparation of this work, the author(s) used Cloude and QuillBot solely to assist with text translation. After using these tools/services, the author(s) reviewed and edited the content as needed and take full responsibility for the content of the publication.

AUTHOR CONTRIBUTIONS

Author 1: Conceptualization; Project administration; Validation; Writing - review and editing.
Author 2: Conceptualization; Data curation; In-vestigation.
Author 3: Data curation; Investigation.

DECLARATION OF COMPETING INTEREST

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

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