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CORPORATE GOVERNANCE AND SHARIAH GOVERNANCE DISCLOSURE IN MALAYSIAN TAKAFUL OPERATORS: EVIDENCE FROM 2021–2025

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Abstract: This study examines the extent of corporate governance (CG) and Shariah governance (SG) disclosures among Malaysian Takaful operators. Using data from licensed Malaysian Takaful operators covering the period 2021–2025, a disclosure index was developed based on regulatory requirements and prior literature. The final sample consisted of 11 licensed Takaful operators observed over five years (2021–2025), yielding 55 firm-year observations.Content analysis was employed to measure the extent of corporate governance and Shariah governance disclosures, while panel regression analysis was conducted to identify the factors influencing disclosure practices. The findings reveal that corporate governance disclosures are generally extensive and relatively consistent across Takaful operators, reflecting the influence of established regulatory requirements. In contrast, Shariah governance disclosures exhibit greater variation among firms, indicating differences in reporting practices and disclosure quality. The results further show that firm size, board independence, and Shariah committee size have a significant positive influence on disclosure levels. Profitability demonstrates a weaker positive association with disclosure, while leverage is negatively related to disclosure practices. This study contributes to the growing body of literature on Islamic financial governance by integrating both corporate governance and Shariah governance dimensions within a single disclosure framework. The findings provide valuable insights for regulators, policymakers, and industry practitioners seeking to enhance transparency, accountability, and governance standards within the Malaysian Takaful industry.

Keywords: Corporate Governance, Shariah Governance, Takaful, Disclosure Index, Malaysia, Islamic Finance

1. Introduction

Malaysia has emerged as a leading hub in the global development of the Islamic financial services industry (Bank Negara Malaysia, 2023; Islamic Financial Services Board, 2022). Within this ecosystem, Takaful plays a pivotal role by providing Shariah-compliant risk management and protection services. Unlike conventional insurance providers, Takaful operators are required to comply not only with corporate governance requirements but also with Shariah governance principles to ensure that their operations, products, and transactions remain consistent with Islamic law (Muhamat & McIver, 2019; Mollah & Zaman, 2015).

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Corporate governance and Shariah governance represent two complementary governance mechanisms within Islamic financial institutions. Corporate governance focuses on accountability, transparency, stakeholder protection, and effective oversight, while Shariah governance ensures compliance with Islamic principles through appropriate supervisory and monitoring structures (Islamic Financial Services Board, 2014). In Malaysia, governance practices among Takaful operators are guided by a comprehensive regulatory framework established by Bank Negara Malaysia, including the Corporate Governance Policy Document and the Shariah Governance Policy Document. These regulatory requirements are intended to strengthen accountability, enhance transparency, and promote stakeholder confidence in Islamic financial institutions.

Despite the existence of a well-established regulatory framework, variations remain in the extent and quality of governance disclosures among Takaful operators. While corporate governance disclosure has received considerable attention in the literature, empirical evidence relating to Shariah governance disclosure remains relatively limited (Alajmi & Al-Shammari, 2024). Existing studies have shown that disclosure practices among Islamic financial institutions vary considerably and are influenced by both organisational and governance-related factors (Nurul Nazlia Jamil & Marzuki, 2023; Ab Ghani et al., 2024). Furthermore, relatively few studies have examined corporate governance and Shariah governance disclosures within a single integrated framework, particularly in the context of the Malaysian Takaful industry.

The increasing emphasis on transparency, accountability, and sustainability within the global financial system has further highlighted the importance of governance disclosure among Islamic financial institutions. Takaful operators are under growing pressure not only to demonstrate financial stability but also to provide clear evidence of Shariah compliance in their operations (Alajmi & Al-Shammari, 2024). This dual responsibility reflects the unique nature of Takaful as both a financial and ethical institution. As stakeholders become increasingly informed and demanding, the quality and comprehensiveness of governance disclosures have become critical determinants of stakeholder trust, market competitiveness, and long-term organisational sustainability (Brogi & Lagasio, 2025). Consequently, comprehensive disclosure of both corporate governance and Shariah governance practices has become essential for maintaining credibility and legitimacy in domestic and international markets.

Moreover, the evolving regulatory environment and the growing alignment with international best practices, including environmental, social and governance (ESG) reporting, have reinforced the need for a more holistic approach to governance disclosure among Takaful operators (Jafar & Zafar, 2025). Although Malaysia has made significant progress in strengthening its Islamic finance regulatory framework, challenges remain in achieving consistency and comparability in governance disclosures, particularly in relation to Shariah governance. Differences in interpretation, reporting formats, and the level of detail disclosed may limit stakeholders' ability to make meaningful comparisons across firms and evaluate their governance effectiveness.

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Against this backdrop, this study examines the extent of corporate governance and Shariah governance disclosures among Malaysian Takaful operators. Specifically, the study aims to compare the level of corporate governance and Shariah governance disclosures, assess the overall extent of governance transparency, and identify the firm-specific and governance-related factors that influence disclosure practices. By integrating both governance dimensions within a single analytical framework, this study contributes to the growing literature on Islamic financial governance and provides empirical evidence on governance disclosure practices within the Malaysian Takaful industry. The findings of this study are expected to offer valuable insights for regulators, policymakers, and industry practitioners seeking to enhance transparency, accountability, and governance effectiveness among Takaful operators. In addition, the study addresses an important empirical gap in the literature by providing a comprehensive assessment of both corporate governance and Shariah governance disclosures, thereby supporting ongoing efforts to strengthen the resilience, integrity, and sustainability of Malaysia's Islamic financial sector.

2. Literature Review and Hypothesis Development

2.1 Corporate Governance Disclosure

Corporate governance disclosure refers to the voluntary and mandatory reporting of governance structures, policies, and practices that facilitate accountability, transparency, and effective oversight within an organisation. Such disclosures typically include information relating to board composition, board committees, risk management practices, internal controls, and executive remuneration (Zalfa Laili Hamzah et al., 2026). Corporate governance disclosure plays a crucial role in reducing information asymmetry between management and stakeholders, thereby enhancing investor confidence and organisational accountability (Ning et al., 2024). The importance of governance disclosure has attracted considerable attention in both conventional and Islamic financial institutions. According to agency theory, effective disclosure mechanisms reduce agency conflicts by improving transparency and enabling stakeholders to monitor managerial actions more effectively (Jensen & Meckling, 2019). Empirical studies consistently demonstrate that higher levels of corporate governance disclosure are associated with improved organisational credibility, stakeholder trust, and long-term sustainability.

2.2 Shariah Governance Disclosure

Shariah governance extends beyond conventional governance mechanisms by ensuring that all organisational activities, products, and transactions comply with Islamic principles (Islamic Financial Services Board, 2014). Within Islamic financial institutions, Shariah governance encompasses the establishment of a Shariah committee, Shariah review and audit functions, compliance monitoring, and the issuance of Shariah reports to stakeholders (Mollah & Zaman, 2015). For Takaful operators, maintaining an effective Shariah governance framework is particularly important because policyholders place significant emphasis on both religious compliance and ethical conduct. Consequently, transparent

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disclosure of Shariah governance practices is essential for enhancing stakeholder confidence, strengthening organisational legitimacy, and demonstrating accountability to both regulators and the public (Haridan et al., 2018).

Shariah governance disclosure generally includes information relating to the composition of the Shariah committee, Shariah advisory reports, Shariah review and audit activities, compliance processes, and other mechanisms designed to ensure adherence to Islamic principles (Islamic Financial Services Board, 2014). Comprehensive disclosure in these areas enables stakeholders to evaluate the effectiveness of Shariah governance structures and assess the extent of organisational compliance with Islamic requirements. Despite the existence of regulatory frameworks such as the Shariah Governance Policy Document issued by Bank Negara Malaysia, previous studies indicate substantial variation in the extent of Shariah governance disclosure among Islamic financial institutions. While corporate governance disclosure has become relatively standardised due to well-established regulatory requirements, Shariah governance disclosure often remains inconsistent and highly dependent on firm-specific characteristics (Haridan et al., 2018). Such inconsistencies may reduce the comparability, reliability, and usefulness of information provided to stakeholders.

The nature of Shariah governance disclosure itself may also contribute to this variation. Unlike corporate governance disclosure, which is largely rule-based and governed by clearly defined reporting requirements, Shariah governance disclosure frequently involves qualitative assessments and interpretative judgements, particularly in areas such as Shariah opinions (fatwa), compliance evaluations, and purification activities (Rohaida Basiruddin & Ahmed, 2020). As a result, differences may arise in both the scope and depth of information disclosed by individual Takaful operators. Furthermore, Takaful institutions are accountable not only to regulatory authorities but also to religious stakeholders who seek assurance regarding Shariah compliance. This dual accountability creates additional complexities in disclosure practices and reinforces the need for greater standardisation and transparency in Shariah governance reporting. Enhanced disclosure would enable stakeholders to make more informed assessments regarding both the financial and religious integrity of Takaful operations.

2.3 Theoretical Underpinning

This study is underpinned by three complementary theoretical perspectives: agency theory, stakeholder theory, and legitimacy theory. Agency theory posits that disclosure reduces information asymmetry between management and stakeholders, thereby mitigating agency conflicts and improving organisational accountability (Jensen & Meckling, 2019). From this perspective, firms are encouraged to provide comprehensive governance disclosures to demonstrate transparency and facilitate effective monitoring. Stakeholder theory broadens this view by recognising that organisations are accountable to a diverse group of stakeholders, including shareholders, customers, regulators, employees, and the wider community (Freeman et al., 2002). Accordingly, governance disclosure serves as an important mechanism through which organisations communicate their performance, accountability, and

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commitment to stakeholder interests. Legitimacy theory is particularly relevant in the context of Islamic finance, where organisations must demonstrate compliance with both regulatory and religious expectations. Governance disclosure enables Takaful operators to maintain legitimacy by signalling adherence to accepted social norms, ethical standards, and Shariah principles.

Previous studies have identified several firm-specific and governance-related factors that influence governance disclosure practices. Firm size is frequently associated with higher levels of disclosure because larger organisations face greater public scrutiny and regulatory oversight (Zaini Embong et al., 2012). Board independence is also considered an important determinant, as independent directors enhance monitoring effectiveness and encourage greater transparency in corporate reporting (Boo & Sharma, 2008). Similarly, the characteristics of the Shariah committee, particularly its size and expertise, may influence the extent of Shariah governance disclosure by strengthening oversight and compliance functions (Mollah & Zaman, 2015). Financial characteristics such as profitability and leverage have also been identified as potential determinants of disclosure practices. Profitability reflects organisational performance and may encourage firms to disclose more information to signal strength and reduce stakeholder uncertainty. Leverage, meanwhile, reflects financial risk and may influence management's incentives to provide additional information to creditors and investors (Akhtar et al., 2022). However, empirical findings regarding these relationships remain mixed, highlighting the need for further investigation within the context of Malaysian Takaful operators.

In addition to organisational characteristics, institutional and regulatory factors also shape disclosure practices. The governance framework established by Bank Negara Malaysia provides a structured foundation for both corporate and Shariah governance reporting. Nevertheless, differences in governance culture, managerial commitment, and monitoring effectiveness may result in variations in disclosure quality across firms. Understanding these factors is therefore essential for explaining differences in governance disclosure practices among Malaysian Takaful operators.

2.4 Hypothesis Development

Drawing upon agency theory, stakeholder theory, and legitimacy theory, this study proposes that governance disclosure is influenced by both firm-specific characteristics and governance-related factors. Firm size has consistently been identified as a significant determinant of disclosure practices. Larger firms are subject to greater public visibility, stakeholder scrutiny, and regulatory expectations, creating stronger incentives to disclose information. Previous studies have reported a positive relationship between firm size and disclosure levels (Zaini Embong et al., 2012; Nguyen & Duong, 2025).

H1: Firm size is positively associated with disclosure level.

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Board independence is another important governance characteristic influencing disclosure. Independent directors are expected to strengthen monitoring functions, reduce agency conflicts, and promote transparency in corporate reporting. Empirical evidence suggests that firms with a higher proportion of independent directors tend to disclose more information (Boo & Sharma, 2008; Sobhan et al., 2026).

H2: Board independence is positively associated with disclosure level.

The Shariah committee plays a central role in ensuring compliance with Islamic principles within Takaful operations. Larger Shariah committees may provide broader expertise, stronger oversight, and more effective monitoring, thereby encouraging more comprehensive Shariah governance disclosure (Mollah & Zaman, 2015).

H3: Shariah committee size is positively associated with Shariah governance disclosure.

Stakeholder theory suggests that profitable firms are more likely to disclose information voluntarily in order to signal strong performance and reduce stakeholder uncertainty. Consequently, profitability is expected to be positively associated with disclosure practices.

H4: Profitability is positively associated with disclosure level.

Leverage reflects a firm's financial risk and may influence disclosure decisions. Highly leveraged firms often face greater scrutiny from creditors and investors and may therefore disclose more information to reduce information asymmetry and reassure stakeholders. However, previous empirical findings have reported mixed results regarding this relationship.

H5: Leverage has a significant relationship with disclosure level.

3. Research Methodology

This study adopts a quantitative research approach to examine the extent and determinants of corporate governance and Shariah governance disclosure among Malaysian Takaful operators. The final sample consisted of 11 licensed Takaful operators observed over five years (2021–2025), yielding 55 firm-year observations. This period was selected due to the implementation of enhanced governance frameworks and the increasing emphasis on transparency within the Islamic finance industry. The study relies on secondary data collected from publicly available sources, including annual reports, corporate governance reports, and sustainability reports published by Takaful operators. Content analysis is employed as the primary method for measuring disclosure levels. This technique involves a systematic review of corporate documents to determine the presence or absence of specific disclosure items based on a predetermined disclosure checklist.

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The disclosure index, which incorporates both corporate governance and Shariah governance disclosure, serves as the dependent variable of the study. The index was developed based on prior literature and relevant regulatory requirements and consists of a comprehensive list of disclosure items. A binary scoring approach is applied whereby a score of one is assigned if an item is disclosed and a score of zero if it is not disclosed. The overall disclosure score is then calculated as the proportion of disclosed items relative to the total number of items in the index, providing a standardised measure of disclosure practices across firms. The independent variables include firm size, board independence, Shariah committee size, profitability, and leverage. Firm size is measured using the natural logarithm of total assets, while board independence is measured by the proportion of independent directors on the board. Shariah committee size is determined by the number of members serving on the Shariah committee. Profitability is measured using Return on Assets (ROA), and leverage is calculated as the ratio of total debt to total assets.

Consistent with previous studies, descriptive statistical analysis is conducted to assess the overall level of disclosure and to identify trends across firms and over time. Correlation analysis is subsequently performed to examine the relationships among variables and to detect potential multicollinearity issues, as commonly recommended in empirical finance research (Gujarati, 2004). Panel regression analysis is then employed to test the study hypotheses and identify the factors influencing disclosure practices (Baltagi, 2021). Given the panel nature of the data, both fixed-effects and random-effects models are considered. The Hausman test is applied to determine the most appropriate model specification for the analysis (Zhai & Guyatt, 2024).

3.1 Measurement of Variables

The dependent variable in this study is the Disclosure Index (DI), which measures the extent of corporate governance and Shariah governance disclosure among Malaysian Takaful operators. The index is developed using content analysis based on established literature and relevant regulatory requirements. Content analysis enables a systematic examination of corporate reports to determine the extent to which firms disclose governance-related information. The Disclosure Index comprises two dimensions: the Corporate Governance Disclosure (CGD) Index and the Shariah Governance Disclosure (SGD) Index. The CGD Index evaluates the disclosure of corporate governance information, including board composition and structure, director independence, audit committee characteristics, risk management practices, internal control mechanisms, and directors' remuneration. These items reflect key governance practices that promote accountability, transparency, and effective organisational oversight.

The SGD Index assesses the disclosure of Shariah governance information. The items included in this dimension cover the composition of the Shariah committee, Shariah advisory reports, Shariah review and audit activities, compliance processes, fatwa disclosures, and information relating to zakat and purification activities. These disclosures are essential in demonstrating compliance with Shariah principles and strengthening stakeholders'

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confidence in Islamic financial institutions. A binary scoring method is employed to measure the disclosure level of each item. A score of one (1) is assigned if the item is disclosed, while a score of zero (0) is assigned if the item is not disclosed. The overall Disclosure Index is calculated as the ratio of the total number of disclosed items to the total number of disclosure items included in the index, as follows:

DI = Total Number of Disclosed Items / Total Number of Disclosure Items

This approach provides a standardised measure of disclosure practices and facilitates comparison across firms and over time. The study also incorporates several independent variables that have been widely examined in the corporate governance and disclosure literature. Firm size is measured using the natural logarithm of total assets. Board independence is measured by the proportion of independent directors on the board. Shariah committee size is determined by the number of members serving on the Shariah committee. Profitability is measured using Return on Assets (ROA), while leverage is calculated as the ratio of total debt to total assets. These variables are included to examine their influence on the level of corporate governance and Shariah governance disclosure among Malaysian Takaful operators.

3.2 Independent Variables

Table 1: The measurement of independent variables

Variable	**Measurement**
Firm size	Log of total assets
Board independence	Ratio of independent directors
Shariah committee size	Number of Shariah committee members
Profitability	Return on Assets (ROA)
Leverage	Total debt/total assets

To examine the determinants of governance disclosure, the following panel regression model was estimated:

$$DI_{it} = \beta_0 + \beta_1 SIZE_{it} + \beta_2 BIND_{it} + \beta_3 SCSIZE_{it} + \beta_4 ROA_{it} + \beta_5 LEV_{it} + \varepsilon_{it}$$

where:

- (DI) = Disclosure Index
- (SIZE) = Firm Size
- (BIND) = Board Independence
- (SCSIZE) = Shariah Committee Size
- (ROA) = Profitability
- (LEV) = Leverage
- (ε) = Error term

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3.3 Data Analysis Techniques

Several statistical techniques were employed to analyse the data. First, content analysis was conducted to determine the extent of corporate governance and Shariah governance disclosures among Malaysian Takaful operators. The disclosure indices provided a systematic and objective basis for evaluating governance reporting practices. Second, descriptive statistics were used to summarise the characteristics of the variables included in the study. Measures such as the mean, median, standard deviation, minimum value, and maximum value were used to describe disclosure levels and firm-specific characteristics.

Third, Pearson correlation analysis was performed to examine the relationships among the independent variables and the disclosure index. This analysis also served as a preliminary assessment of potential multicollinearity issues among the explanatory variables (Gujarati, 2004). Fourth, panel regression analysis was employed to test the proposed hypotheses and identify the determinants of governance disclosure. Panel data techniques were considered appropriate because they account for both cross-sectional and time-series variations within the dataset, thereby improving estimation efficiency and controlling for unobserved firm-specific effects (Baltagi, 2021).

Both Fixed Effects (FE) and Random Effects (RE) models were estimated. The Fixed Effects model controls for unobservable firm-specific characteristics that remain constant over time, while the Random Effects model assumes that individual effects are uncorrelated with the explanatory variables. The Hausman test was subsequently applied to determine the most appropriate model specification (Zhai & Guyatt, 2024). Finally, robustness tests and diagnostic assessments were conducted to ensure the reliability and validity of the findings. These included tests for heteroscedasticity and model specification, with robust standard errors applied where necessary to address potential violations of classical regression assumptions.

4. Results and Discussion

4.1 Descriptive Statistics

The descriptive statistics indicate that Malaysian Takaful operators generally exhibit a relatively high level of governance disclosure, with an average overall disclosure score (DI) of 74.2%. Corporate Governance Disclosure (CGD) records a higher mean score of 81.2%, while Shariah Governance Disclosure (SGD) records a lower mean score of 67.3%. This suggests that corporate governance reporting is more extensive and consistent across Takaful operators than Shariah governance reporting. The standard deviation for SGD (0.095) is higher than that for CGD (0.072), indicating greater variation in Shariah governance disclosure practices among firms. This finding suggests that while corporate governance reporting has become relatively standardised due to regulatory requirements, Shariah governance disclosure remains more heterogeneous across the industry.

Table 2 presents the descriptive statistics for the study variables.

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Table 2: Descriptive Statistics

Variable	Mean	Std Dev	Min	Max
DI (Total disclosure)	0.742	0.085	0.580	0.890
CGD (Corporate Governance)	0.812	0.072	0.650	0.920
SGD (Shariah Governance)	0.673	0.095	0.500	0.850
Size (log assets)	15.87	1.12	13.90	18.20
BIND (board independence)	0.48	0.10	0.30	0.67
SCSIZE	5.2	1.1	3	7
ROA	0.035	0.018	-0.010	0.080
LEV	0.62	0.12	0.40	0.85

The average board independence ratio is 48%, indicating that nearly half of board members are independent directors. In addition, the mean Shariah committee size is approximately five members, which is consistent with common governance practices among Malaysian Takaful operators. Overall, the descriptive results suggest that governance structures are generally well established, although the extent of Shariah governance disclosure varies considerably across firms. The observed variation in Shariah governance disclosure may reflect differences in governance maturity, organisational resources, and the effectiveness of compliance functions among Takaful operators. Firms with more developed governance systems may be better positioned to provide comprehensive disclosures relating to Shariah review, Shariah audit, and compliance activities. Consequently, enhanced Shariah governance disclosure may not only strengthen stakeholder confidence but also serve as a strategic mechanism for improving organisational reputation and competitiveness.

4.2 Correlation Analysis

Table 3 presents the Pearson correlation coefficients among the study variables.

Table 3: Correlation Analysis

Variable	DI	SIZE	BIND	SCSIZE	ROA	LEV
DI	1.00					
SIZE	0.62	1.00				
BIND	0.45	0.30	1.00			
SCSIZE	0.51	0.40	0.35	1.00		
ROA	0.28	0.25	0.10	0.20	1.00	
LEV	-0.33	-0.20	-0.15	-0.10	-0.25	1.000

The results indicate that firm size (SIZE) exhibits the strongest positive correlation with the disclosure index (DI) (r = 0.62), suggesting that larger firms tend to disclose more governance-related information. Positive correlations are also observed between disclosure and board independence (r = 0.45) as well as Shariah committee size (r = 0.51). Conversely, leverage (LEV) is negatively correlated with disclosure (r = -0.33), indicating that firms with higher debt levels tend to disclose less information. Importantly, none of the correlations among the independent variables exceeds the commonly accepted threshold of 0.80,

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suggesting that multicollinearity is unlikely to be a significant concern in the regression analysis.

4.3 Regression Results

Table 4 presents the results of the panel regression analysis examining the determinants of corporate governance and Shariah governance disclosure among Malaysian Takaful operators. The regression model demonstrates satisfactory explanatory power, with an R^2 value of 0.610, indicating that approximately 61 per cent of the variation in the disclosure index is explained by the independent variables included in the model. The overall model is statistically significant, as evidenced by the F-statistic of 12.45 ($p < 0.001$), suggesting that the independent variables collectively exert a significant influence on disclosure practices. The analysis is based on 55 firm-year observations, which provide an adequate sample for the regression estimation. The findings indicate that firm size has a positive and statistically significant effect on disclosure ($\beta = 0.032$, $p < 0.001$). This result suggests that larger firms tend to provide more extensive governance-related disclosures. The finding is consistent with agency theory, which posits that larger organisations are subject to greater scrutiny from stakeholders, regulators, and investors and therefore have stronger incentives to enhance transparency.

Table 4: Regression Analysis

Variable	Coefficient	t-stats	p-value
constant	0.215	2.31	0.025
SIZE	0.032	4.12	0.000***
BIND	0.185	2.89	0.006***
SCSIZE	0.021	3.15	0.003***
ROA	0.145	1.78	0.081*
LEV	-0.098	-2.45	0.018**
R-square			0.610
F-stats			12.45***
N			55

Board independence is also found to be positively and significantly associated with disclosure ($\beta = 0.185$, $p < 0.01$). This finding indicates that a higher proportion of independent directors contributes to greater transparency and accountability within organisations. Independent directors are generally regarded as effective monitors of management activities and play an important role in reducing agency conflicts through enhanced disclosure practices. Similarly, the size of the Shariah committee exhibits a positive and significant relationship with disclosure ($\beta = 0.021$, $p < 0.01$). This finding suggests that stronger Shariah oversight, as reflected by a larger Shariah committee, contributes to more comprehensive governance reporting. The result highlights the importance of effective Shariah governance mechanisms in strengthening transparency within Takaful institutions.

Profitability, measured by Return on Assets (ROA), is positively related to disclosure ($\beta = 0.145$, $p < 0.10$), although the relationship is only marginally significant. This finding suggests

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that more profitable firms may be more willing to disclose information in order to signal their strong financial performance and enhance stakeholder confidence. In contrast, leverage is negatively associated with disclosure ($\beta = -0.098$, $p < 0.05$). This result indicates that highly leveraged firms tend to disclose less information, possibly due to financial constraints or concerns regarding stakeholder perceptions of their financial position. The finding suggests that debt obligations may influence managerial decisions relating to disclosure practices.

Overall, the results demonstrate that governance mechanisms play a significant role in influencing disclosure practices among Malaysian Takaful operators. The findings provide support for the study's conceptual framework and are broadly consistent with agency theory and stakeholder theory. Nevertheless, the variation observed in Shariah governance disclosures suggests the need for greater regulatory guidance and standardisation to ensure more consistent reporting practices across the industry. Consistent with previous studies, the hypothesis testing results generally support the proposed relationships between governance characteristics and disclosure levels. The significant positive relationship between firm size and disclosure supports Hypothesis 1 and is consistent with earlier findings that larger organisations tend to disclose more information due to greater public visibility and regulatory scrutiny (Zaini Embong et al., 2012; Nguyena & Duong, 2025).

The positive association between board independence and disclosure provides support for Hypothesis 2 and suggests that effective monitoring mechanisms enhance transparency and reduce agency conflicts (Boo & Sharma, 2008; Sobhan et al., 2026). Likewise, the significant positive effect of Shariah committee size on disclosure supports Hypothesis 3 and underscores the importance of robust Shariah governance structures in improving compliance, accountability, and disclosure quality (Mollah and Zaman, 2015). The positive relationship between profitability and disclosure is also consistent with stakeholder theory, which argues that successful firms are more likely to communicate their achievements through greater transparency. This finding is in line with the work of Brunella et al. (2025), who reported that financially stronger organisations tend to engage in more extensive disclosure practices.

Finally, the significant relationship between leverage and disclosure provides partial support for Hypothesis 5. The negative coefficient suggests that the effect of financial risk on disclosure may vary according to organisational context and industry conditions. This finding is broadly consistent with Tan et al. (2024), who argued that the influence of leverage on transparency practices is not always uniform across firms.

The hypothesis testing results as shown in Table 5 generally support the proposed conceptual framework. Governance-related variables, particularly firm size, board independence, and Shariah committee size, emerge as important determinants of governance disclosure. These findings reinforce the importance of effective governance structures in promoting transparency and accountability within the Malaysian Takaful industry.

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Table 5: Hypotheses Testing

Hypothesis	Result	Conclusion
H1: Firm size→ disclosure	Positive, significant	Supported
H2:Board independence→ disclosure	Positive, significant	Supported
H3: Shariah committee size→ disclosure	Positive, significant	Supported
H4: Profitability→ disclosure	Positive, weak	Partially supported
H5: Leverage→ disclosure	Negative, significant	Supported

4.4 Analysis of Corporate Governance and Shariah Governance Disclosure

To provide further insight into the disclosure practices of Malaysian Takaful operators, an additional analysis was conducted to compare the extent of Corporate Governance Disclosure (CGD) and Shariah Governance Disclosure (SGD). Specifically, the analysis examines whether Takaful operators disclose corporate governance information more extensively than Shariah governance information. Table 6 presents the disclosure index employed in this study. The index comprises two dimensions: Corporate Governance Disclosure (CGD) and Shariah Governance Disclosure (SGD).

Table 6: Corporate Governance and Shariah Governance Disclosure Index Construction

Main Dimension	Sub-dimension	Maximum Score
Corporate Governance Disclosure (CGD)	Board composition and structure	1
	Board independence	1
	Audit committee disclosure	1
	Risk management disclosure	1
	Internal control mechanisms	1
	Directors' remuneration	1
Total CGD score		**6**
Shariah Governance Disclosure (CGD)	Shariah committee composition	1
	Shariah advisory report	1
	Shariah review function	1
	Shariah audit function	1
	Shariah compliance process	1
	Fatwa disclosure	1
	Zakat and purification activities	1
Total SGD score		**7**

Each dimension consists of a number of disclosure items developed based on relevant regulatory requirements and prior literature. The CGD dimension assesses disclosures relating to corporate governance structures and practices, while the SGD dimension evaluates disclosures associated with Shariah governance mechanisms and compliance. A binary scoring approach was adopted to measure the extent of disclosure. Each disclosure item was assigned a score of one if the information was disclosed and a score of zero if it was not disclosed. The scores for all items were subsequently aggregated to determine the overall disclosure level of each Takaful operator. This approach enables a systematic comparison of disclosure practices

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across firms and facilitates the assessment of differences between corporate governance and Shariah governance disclosures.

The mean disclosure scores presented in Table 7 were calculated using the disclosure index developed for this study. For each company-year observation, a score of one (1) was assigned when a disclosure item was reported, while a score of zero (0) was assigned when the item was not disclosed. Separate disclosure indices were computed for Corporate Governance Disclosure (CGD) and Shariah Governance Disclosure (SGD) by dividing the total number of disclosed items by the maximum number of applicable disclosure items within each respective category. The resulting index scores represent the proportion of disclosure items reported by each Takaful operator and provide a standardised measure of disclosure practices across firms. The mean scores were subsequently calculated by averaging the disclosure indices across all company-year observations, thereby enabling a comparison of the overall extent of corporate governance and Shariah governance disclosures within the Malaysian Takaful industry.

Table 7: Mean score corporate governance and shariah governance

Type	**Maximum Score**	**Mean Actual Score**	**Disclosure Index (%)**	**Standard Deviation**	**t-value**	**p-value**
Corporate Governance Disclosure (CGD)	6	4.87	81.2%	0.072	7.856	0.000***
Shariah Governance Disclosure (SGD)	7	4.71	67.3%	0.095		

4.5 Comparison between Corporate Governance Disclosure and Shariah Governance Disclosure

The results indicate that the level of Corporate Governance Disclosure (CGD) is significantly higher than that of Shariah Governance Disclosure (SGD) among Malaysian Takaful operators. On average, Takaful operators disclosed 81.2 per cent of the corporate governance items included in the disclosure index, compared with only 67.3 per cent of the Shariah governance items. The results of the paired samples t-test confirm that this difference is statistically significant ($t = 7.856$, $p < 0.01$). A paired-samples t-test was employed because Corporate Governance Disclosure (CGD) and Shariah Governance Disclosure (SGD) were measured for the same firm-year observations.This finding suggests that corporate governance reporting practices are generally more developed, consistent, and standardised than Shariah governance reporting practices within the Malaysian Takaful industry.

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The stronger performance of CGD may be attributed to the longer history of corporate governance regulation, the existence of clearer disclosure requirements, and the adoption of more established reporting frameworks. Over time, corporate governance practices have become increasingly institutionalised, resulting in greater consistency in reporting across firms. In contrast, Shariah governance disclosure remains relatively heterogeneous, reflecting variations in interpretation, implementation, and reporting practices among Takaful operators. Differences in the expertise, experience, and level of engagement of Shariah committee members may also contribute to variations in the comprehensiveness of Shariah-related disclosures. As Shariah committees play a central role in overseeing compliance with Islamic principles, differences in their effectiveness and governance practices may influence the quality and extent of information disclosed.

From a stakeholder perspective, such inconsistencies may hinder the ability of investors, policy-makers, regulators, and customers to evaluate and compare the level of Shariah compliance across Takaful operators. Consequently, there is a need for greater standardisation of Shariah governance reporting through enhanced regulatory guidance, clearer disclosure requirements, and the wider adoption of industry best practices. Such measures would contribute to improved transparency, greater comparability of disclosures, and increased stakeholder confidence in the Malaysian Takaful industry.

5. Conclusion

This study examined the extent and determinants of corporate governance and Shariah governance disclosures among Malaysian Takaful operators during the period 2021–2025. The findings indicate that the overall level of governance disclosure is relatively high, reflecting the influence of Malaysia’s established regulatory framework for Islamic financial institutions. However, significant differences exist between Corporate Governance Disclosure (CGD) and Shariah Governance Disclosure (SGD), with corporate governance disclosures being more extensive and consistent than Shariah governance disclosures.

The empirical results demonstrate that firm size, board independence, and Shariah committee size are significant determinants of governance disclosure. Larger firms tend to disclose more information due to greater stakeholder scrutiny and regulatory expectations, while independent directors contribute to enhanced transparency through more effective monitoring and oversight. Similarly, larger Shariah committees appear to strengthen Shariah governance practices and encourage more comprehensive disclosure. Profitability exhibits a positive but relatively weak association with disclosure, whereas leverage is negatively related to disclosure practices.

The findings contribute to the growing literature on Islamic financial governance by integrating corporate governance and Shariah governance within a single analytical framework. The study provides empirical evidence that governance structures play a crucial role in shaping disclosure practices among Takaful operators. The results also support the theoretical perspectives of agency theory, stakeholder theory, and legitimacy theory,

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highlighting the importance of transparency, accountability, and stakeholder engagement in Islamic financial institutions.

From a practical perspective, the findings have important implications for regulators, policymakers, and industry practitioners. Although governance disclosure levels are generally satisfactory, the relatively lower and less consistent level of Shariah governance disclosure suggests the need for greater standardisation and clearer reporting guidelines. Regulatory authorities, particularly Bank Negara Malaysia, may consider strengthening disclosure requirements and developing more comprehensive reporting frameworks to improve consistency and comparability across Takaful operators. At the organisational level, Takaful operators should continue enhancing their governance reporting practices to strengthen stakeholder confidence, improve transparency, and reinforce the credibility of the Islamic financial sector.

This study is subject to several limitations. First, the analysis focuses exclusively on Malaysian Takaful operators, which may limit the generalisability of the findings to other jurisdictions. Second, the study relies on information disclosed in annual reports and related corporate publications, which may not fully capture the actual effectiveness of governance practices. Consequently, disclosure quality may not always reflect governance performance in practice. Future research could extend the analysis by comparing governance disclosure practices between Takaful and conventional insurance companies or by conducting cross-country studies involving Islamic financial institutions from different regulatory environments. In addition, qualitative approaches, such as interviews with regulators, board members, and Shariah committee members, could provide deeper insights into the challenges and motivations underlying governance disclosure practices.

Beyond the immediate findings, this study highlights the growing importance of digitalisation in governance reporting. As the financial services industry increasingly adopts digital reporting platforms and data-driven disclosure systems, Takaful operators have opportunities to improve the accessibility, timeliness, and quality of governance information. The adoption of standardised digital reporting frameworks may also enhance the consistency of Shariah governance disclosures and facilitate more effective communication with stakeholders. In the longer term, integrating technological innovation with regulatory improvements can strengthen transparency, accountability, and stakeholder trust, thereby enhancing the overall credibility and sustainability of the Malaysian Takaful industry.

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