

TRIPLE GOVERNANCE IN COMPANIES LISTED ON THE PALESTINE EXCHANGE: CURRENT REALITIES AND CHALLENGES FROM AN ISLAMIC PERSPECTIVE

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Abstract: *This study explores the current state of triple governance—covering institutional, financial, and Shariah aspects—in companies listed on the Palestine Exchange. It focuses on the pressing need to strengthen governance frameworks in light of the complex political and economic conditions that characterize the Palestinian context. By aligning governance practices with Islamic economic values, the paper aims to support transparency, accountability, and sustainable development within the financial sector. Using a conceptual and analytical approach, the study draws upon existing literature and local regulatory structures, with a particular emphasis on Shariah governance in publicly traded companies. Key obstacles to effective implementation are highlighted, including regulatory fragmentation, the absence of unified Shariah oversight, and the limited institutional capacity for governance compliance. Ultimately, the paper seeks to contribute a practical framework tailored to the Palestinian reality—one that balances institutional efficiency with Shariah compliance. This model aspires to enhance investor confidence, improve corporate performance, and promote economic resilience in a manner consistent with Islamic principles.*

Keywords: Triple governance, Shariah governance, Palestine Exchange, Islamic economics, sustainable development, corporate governance in Palestine

1. Introduction

In the complex political and economic environment of Palestinian society, there is a pressing need to strengthen governance frameworks within the financial and banking sectors as a foundational path toward stability and sustainable development. Current conditions—characterized by fragmented legal systems and multiple oversight authorities—have created significant barriers to establishing an integrated governance system (Talahmeh, 2012; AMAN, 2021).

Governance refers to the set of rules, systems, and mechanisms guiding and regulating corporate behavior to ensure transparency, accountability, and efficiency. As Tricker (1984) defines it, “Governance is different from management; and involves setting corporate direction, involvement in executive action, supervision, and accountability.” Zingales (1997) distinguishes two perspectives: governance as a tool for maximizing shareholder value, and governance as a regulatory mechanism for performance control. Gillan and Starks (1998)

further describe governance as an integrated control system beyond management that upholds corporate stability.

Within an Islamic context, governance acquires an additional dimension—Shariah governance—defined by the Islamic Financial Services Board (2009) as “a set of institutional and organizational arrangements that ensure the existence of an effective and independent Shariah supervisory function over Islamic financial institutions.” This form of governance aims to uphold justice, equality, fair service provision, and contribute to social and economic stability (Boutian et al., 2023).

Although Palestinian companies recognize the importance of governance, the practical reality reveals significant implementation gaps. These stem from fragmented legal systems, the absence of a unified Shariah supervisory body, and institutional capacity limitations. Such weaknesses raise questions about these companies' ability to balance efficiency and Shariah compliance within a fragile regulatory environment.

This study's contribution lies in introducing a locally adapted concept of “Triple Governance”, which is not addressed directly in existing international literature. It sheds light on mechanisms to enhance transparency and accountability through an Islamic lens in a unique and challenging environment.

Objectives of the Paper

1. Analyze the status of institutional, financial, and Shariah governance in Palestine.
2. Identify the primary obstacles to implementing triple governance.
3. Propose an integrated governance model that considers Palestinian realities and Islamic values.

2. Literature Review

2.1 Institutional Governance

Institutional governance refers to administrative and oversight structures, decision-making mechanisms, and distribution of authority within the company. It is designed to prevent deviations and manage organizational challenges (Halim et al., 2023). Grounded in transparency, accountability, participation, and integrity, this form of governance manifested in Palestine through the 2009 Corporate Governance Code developed by 13 official bodies (Talahmeh, 2012). However, persistent challenges remain, including fragmented legal references, weak coordination, and cultural resistance to institutional governance within companies.

2.2 Financial Governance

Financial governance deals with systems and practices for managing financial resources, risk management, internal auditing, and adherence to accounting standards. As Almaskari et al. (2025) argue, it provides a structured and effective approach to achieving organizational objectives. Studies highlight its role in boosting institutional performance by promoting

transparency, accountability, and efficiency (Yassin, 2017; Riaao et al., 2018). In Palestine, Jarrar (2016) found that governance significantly improves internal audit quality and financial alignment with strategies, yet many firms still struggle with weak enforcement and cultural support.

2.3 Shariah Governance

Shariah governance—unique to Islamic financial institutions—ensures compliance with Islamic law across all transactions. The Islamic Financial Services Board (2009) defines it as an institutional framework for effective and independent Shariah oversight. According to Lewis (2005), Shariah governance is expansive, covering obligations to suppliers, customers, competitors, and employees, encompassing both spiritual and worldly needs. Recent research emphasizes its role in promoting justice, equitable service delivery, and socioeconomic stability (Boutian, Hamaz, & Mokhtari, 2023). In Palestine, however, Shariah oversight remains fragmented with limited institutional capacity.

2.4 Palestinian Context and Background

2.4.1 Legal Framework

Palestinian companies are subject to a fragmented legal regime—including Amman’s Companies Law of 1964 in the West Bank, the Gaza Companies Law of 1929, the Capital Market Law No. 13/2004, and the Banking Law No. 2/2002 (Talahmeh, 2012). The 2009 Corporate Governance Code, though guided by a national committee, remains non-binding due to lack of enforcement mechanisms by the Capital Market Authority (AMAN, 2021).

2.4.2 Institutional and Regulatory Challenges

Reports from AMAN (2021) highlight weak coordination among oversight bodies, overlapping authority between the Capital Market Authority, Monetary Authority, and Ministry of Economy, and the OECD (2024) emphasizes that ambiguous regulatory roles impair governance effectiveness. Dr. Saad al-Wabil (2015) notes that Islamic governance introduces ethical oversight missing in rigid legal systems and highlights the ability of religious conscience to curb malpractice – contrasted with loopholes in conventional accounting frameworks.

2.4.3 Socioeconomic Environment

Decades of occupation and political fragmentation have left the Palestinian economy nearly dependent on Israel, with features typical of developing economies (Abdelkarim & Alawneh, 2009). The private university sector’s governance remains underdeveloped despite rising competition and demand (Buhaisi & Al Damagh, 2021), and internal governance culture within firms is still nascent (Yaseen & Zayed, 2023).

2.4.4 Analysis: Realities and Challenges

Palestinian corporate governance faces layered challenges across legal, institutional, financial, and Shariah dimensions:

1. **Fragmented Legal Frameworks:** Dual legal systems in West Bank and Gaza, plus overlapping supervisory authorities, lead to regulatory ambiguity (Talahmeh, 2012; AMAN, 2021).
2. **Weak Institutional Oversight:** Despite the 2009 code, enforcement is lacking and oversight fragmented between authorities, weakening institutional governance (OECD, 2024; AMAN, 2021).
3. **Limited Governance Culture:** Firms and boards often lack awareness of governance roles and lack regular training (Yaseen & Zayed, 2023).
4. **Absence of Unified Shariah Authority:** Disparate Shariah oversight undermines investor trust and consistency (Lewis, 2005; Al-Wabil, 2015).
5. **Distorted Funding of Productive Sectors:** Limited financing for agriculture and industry weakens economic sustainability (AMAN, 2021).
6. **Contextual Challenges: Occupation, War & Division**
 - Palestine remains systemically dependent on Israel; restrictions on movement and trade are obstructive (Abdelkarim & Alawneh, 2009; World Bank, 2023).
 - Gaza's economy shrank by 4.4% and West Bank's by 3.0% in early 2023 due to siege and structural damage (World Bank, 2023).
 - Around 50% of Gaza's vital networks were disrupted and 60% of infrastructure destroyed (World Bank, 2023).
 - The Palestinian economy lost about US\$1 billion in 2023 from frozen reserves and customs barriers (World Bank, 2024).
 - UNCTAD reports a steep 81% drop in Gaza's GDP post-conflict, with high poverty and business closures (UNCTAD, 2024).
 - The political divide fosters dual regulatory frameworks, complicating unified governance (AMAN, 2021; Aljadba et al., 2021; OECD, 2024).

2.5 Proposed Model: The Integrated Adaptive Governance Model

In response to identified challenges, this model integrates institutional, financial, and Shariah governance with a phased, incentivized compliance mechanism adaptable to Palestinian realities.

1. Institutional Governance – Phased Empowerment

- Launch a centralized e-platform enabling self-assessment and progressive certification.
- Establish governance support centers under local chambers offering training and advisory services.
- Centralize legal references via a national oversight entity issuing mandatory standards.

2. Financial Governance – Resilient Risk Framework

- Drive a “Crisis Finance Unit” in each company—this coordinates emergency financing tools during occupation-induced or war-related disruptions, including short-term Islamic micro-sukuk.
- Implement a “Transparent Portfolio Dashboard” embedded in quarterly disclosures comprising measurable indicators.

- Coordinate with international donors to address liquidity crises prompted by frozen clearance accounts.

3. Shariah Governance – Participatory Compliance

- Build sectoral Shariah councils aligned with each industry (e.g., agriculture, technology) to set specialized religious standards.
- Develop a “Governance Fatwa Hub”, a digital repository enabling access to standardized legal opinions.
- Roll out annual internal Shariah audits, supervised by trained independent compliance committees reporting to sectoral councils.

4. Incentive-Based Phased Compliance

- Introduce progressive compliance stages, with associated perks:
 - Preferential treatment in government procurement,
 - Tax incentives,
 - Simplified bank account protocols,
 - International investor recognition.

3. Conclusion and Recommendation

This paper has explored the concept of Triple Governance (institutional, financial, and Shariah) within Palestinian listed companies amid a precarious political and economic environment. It reveals that fragmented oversight, limited institutional capacity, and absence of unified governance frameworks hinder true compliance. To address this, the Integrated Adaptive Governance Model proposes a realistic and dynamic implementation path embedded with staged incentives.

Recommendation For Policymakers:

1. Establish an independent national governance authority integrating legal, financial, and Shariah oversight.
2. Reform corporate laws progressively to align them with mandatory governance standards.
3. Unite Shariah supervisory bodies sectorally under cohesive frameworks.

Recommendation For Companies:

1. Conduct annual internal governance reviews covering all three dimensions.
2. Subscribe to centralized fidelity platforms for reporting and certification.
3. Invest in board-level education and training on Shariah–governance integration.

Recommendation For Academics and Researchers:

1. Initiate field studies to evaluate pilot implementation of this model in select firms.
2. Compare Islamic governance structures in similar economies (e.g., Jordan, Malaysia).
3. Develop standardized Shariah governance maturity metrics for Palestinian businesses.

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