
THE INFLUENCE ISLAMIC SOCIAL REPORTING, MAQASHID SYARIAH INDEX, AND GOOD CORPORATE GOVERNANCE ON THE AMOUNT OF THIRD-PARTY FUNDS AT ISLAMIC COMMERCIAL BANKS IN INDONESIA IN 2020-2024

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Abstract

Despite positive growth in Islamic banking, as measured by the number of branches, customers, market share, and Third-Party Funds, the industry is still lagging behind conventional banks. The dominance of the Muslim population in Indonesia, in fact, does not make people more dominant in choosing and trusting Islamic banking for saving or even investing. Therefore, the researcher aims to determine the effect of Islamic Social Reporting, Maqashid Shariah Index, and Good Corporate Governance on Third-Party Funds in Islamic Commercial Banks for the 2020-2024 period. A novelty in this study is the combination of non-financial variables (ISR, MSI, GCG) to measure the performance of Islamic Commercial Bank's Third-Party Funds. The purposive sampling method was chosen to filter the sample, the output obtained was 6 Islamic commercial banks, including PT. Bank Muamalat Indonesian, PT. Bank Central Asia Syariah, PT. Bank Panin Dubai Syariah, PT. Bank Mega Syariah, PT. Bank Bukopin Syariah, and PT. Bank Jawa Barat Banten Syariah. Secondary data in the study were obtained from Annual Reports, Sustainability Reports, And Corporate Governance Reports by each bank. This study were processed using EViews 13. This study found that Islamic Social Reporting partially influences third-party funds, while simultaneously, Islamic Social Reporting, Maqashid Shariah Index, and Good Corporate Governance can explain Third Party Funds by 98.4553%.

Keywords: Islamic Social Reporting; Maqashid Shariah Index; Good Corporate Governance; Third-Party Funds

INTRODUCTION

Discussions about Islamic Banking are becoming increasingly widespread, thanks to the convenience inherent in digitalization, and are attracting significant attention, particularly among Muslims. Global economic growth and the banking industry are increasingly advanced, especially in countries with a muslim majority (Syrmita et al., 2024). Unlike conventional banks, Islamic banking has an operational system that prohibits the use of interest, which is considered usury, in various products and operations. Eliminating usury from transactions is fundamental to Islamic banking (Khoiriyah R, 2020). From an Islamic perspective, the prohibition of riba offers an ethical foundation for financial activities, emphasizing fairness and sustainability in carrying out its intermediary function.

The primary role of Islamic banks is to raise and channel funds through third-party funds, reflecting the level of public trust in their performance and reputation. However, the market share of Islamic Banking in this sector remains relatively small (Anggraeni & Gultom, 2024). According to OJK data, total Islamic banking assets reached IDR 980.30 trillion at the end of 2024, with a market share of 7.72%, while Third Party Funds reached IDR 753.60 trillion. Although Islamic banks' third-party funds increased from IDR 322,853 billion in 2020 to IDR 511,374 billion in 2024, they remain relatively small compared to conventional banking. This phenomenon suggests that public trust has not yet been fully established, making the collection of Third-Party Funds a challenge in enhancing the competitiveness of Islamic Banking in Indonesia.

To increase public trust, Islamic banks must demonstrate social responsibility and apply Islamic principles in their operations. There are two main aspects in assessing the capability of Islamic Banks, including the Maqashid Shariah score obtained and the quality of implementation of social functions, which are reported

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transparently (Fauziyyah & Azib, 2019). Islamic social reporting reflects the transparency and accountability of Islamic financial institutions. Islamic social reporting is defined as a set of CSR indicators developed by Muslim scholars based on Islamic teachings. Overall, Islamic Social Reporting comprises 43 items classified into five themes: institutional output, staff, community, ecological aspects, and organizational governance (Nurilaizzati & Khoiriyah, 2023). The broader the ISR disclosure, the greater the potential for increasing public trust and attracting third-party funding.

In implementing social responsibility, Islamic banks require a Sharia foundation for sustainability through the Maqasid Shariah Index, which measures the implementation of Sharia values in the bank's economic, social, and spiritual activities. The Maqasid Shariah Index broadens the scope for evaluating bank performance, not only through financial aspects but also through contributions to social goals and Islamic ethics (Kurnia, 2025). The divine principles inherent in Islamic banking do not automatically guarantee that the institution is free from corruption, as material temptations can influence individuals within it. Therefore, executives, bank officials, and commissioners must be careful in regulating and managing Islamic banking (Dewi, 2020). Healthy competition and a conducive business climate are fostered by the actualization of Good Corporate Governance. Therefore, Good Corporate Governance in banking has the potential to be an intermediary for improving governance (Raharjanti & Muharrami, 2020).

There are differences in research findings, indicating a gap in research on Islamic Social Reporting, the Maqasid Syariah Index, and Good Corporate Governance related to Third-Party Funds. Febriani et al. (2016) and Fauziyyah et al. (2019) found that Islamic Social Reporting had a important impact on Third-Party Funds. Maqashid Sharia Index, based on study by Fauziyah et al. (2019), has a significant involve on Third-Party Funds. Meanwhile, Akbar (2020) and Ruhana et al. (2019) demonstrated that Good Corporate Governance had no important impact on Third-Party Funds. The novelty of this study lies in the new research period (2020-2024), which combines non-financial variables (ISR, MSI, and GCG) to analyze their influence on Third-Party Funds in Islamic Commercial Banks in Indonesia. This research aims to determine further whether Islamic Social Reporting, the Maqashid Sharia Index, and Good Corporate Governance influence the amount of Third-Party Funds in Islamic Commercial Banks in Indonesia for the period 2020-2024.

LITERATURE REVIEW

Stakeholder Theory

Freeman and Reed introduced stakeholder theory in 1983. Furthermore, Freeman (1984) stated that stakeholders are groups or individuals who can influence or be influenced by achieving organizational goals. Stakeholders theory establishes an connection between a company and its environment and emphasises the ideal organisational form to accommodate the interests of various parties.

Stakeholder theory emphasises that companies must participate and not shirk their responsibility to stakeholders. Through Islamic Social Reporting, Islamic banks demonstrate social accountability to the public, and through Maqashid syariah Index, banks reflect the achievement of sharia objectives that improve community welfare. At the same time, good corporate governance plays a role in ensuring transparent and ethical management. Implementing all there is expected to strengthen stakeholder trust and encourage an increase in Third-Party Funds.

Islamic Social Reporting (ISR)

Islamic social reporting originated from Haniffa (2002), who defined ISR as continuation of social reporting that not only fulfills societal expectations but also contributes to the economic and spiritual needs of stakeholders. Haniffa's concept was later enhanced by Othman et al. (2009) by adding corporate governance indicators. Six indicators are used, Funding and Investment, Products and Services, Employees, Community, Environment, and Corporate Governance, encompassing 43 disclosure items, as used in this study. ISR assessment is conducted on a scale (0–1), with a total of 1 given if the item is reported and 0 otherwise. The calculation is carried out using the formula: $ISR\ Level = \frac{Total\ disclosure\ value\ met}{Total\ maximum\ score}$.

Maqashid Shariah Index (MSI)

The inconsistency of applying conventional performance indicators in Islamic banking underlies the improvement of the Maqashid Sharia Index (Nasution, 2025). Development of performance assessments rooted in the maqashid sharia was achieved by Mohammed et al. (2008) by referring to the three concepts of maqashid sharia thought by Abu Zahrah (1958), including Tahdhib Al-Fard (Personal Development), Iqamah al-Adl (enforcement of fairness), and Jalb Al-Maslahah (advancement of social well-being). The 10 Maqashid Sharia performance indexes transform these three indicators (Santoso, 2022).

Good Corporate Governance (GCG)

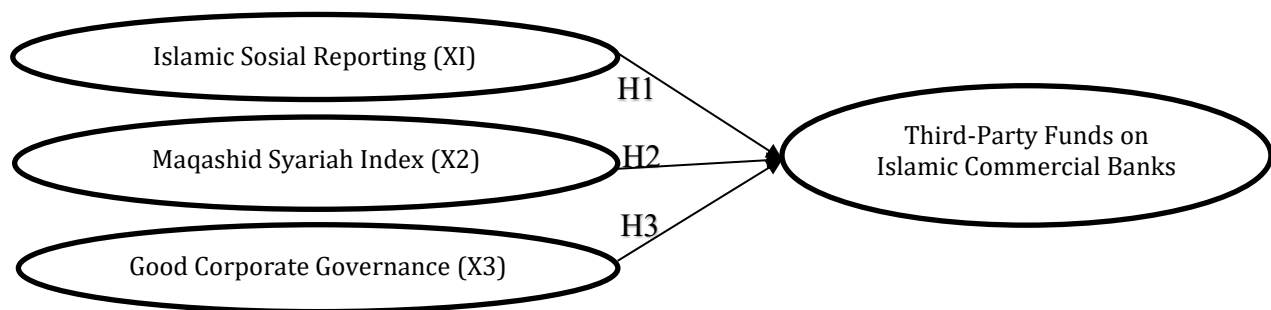
The GCG disclosure items in Islamic banking refer to Ardhaneswari's (2017) coverage items which are divided into 16 items, including General Conclusions, Share Ownership, Financial Relationships, Family Relationships, Dual Positions, List of Consultants, Remuneration & Facility Policies, Salary Ratio, Meeting intensity of the Board of Commissioners, and meeting intensity of the Sharia Supervisory Board, Number of Deviations, Number of Legal Issues & Their Resolutions, Transactions with Conflicts of Interest, Share/Bond Buybacks, Distribution of Social Funds, Non-Halal Income & Its Use. GCG assessment is carried out on a scale (0-1), with a score of 1 for disclosed items and 0 for disclosed items.

Thrid-Party Funds

Third Party Funds as the dominant source of funding for banking business activities. Meanwhile, according to Dendawijaya (2009), third-party funds represent approximately 80-90% of the funds that banks rely on for reinvestment. Third-party funds come from checking accounts, savings accounts, and time deposits (Fitriana et al., 2024).

Third-Party Funds = Current Account + Savings Account + Time Deposit.

The following are the relationships between variables illustrated in the Framework and hypotheses:



Source: Ruhana and Suprayogi (2019) has been modified

METHODOLOGY

This research uses a quantitative descriptive method, with data collected during the period 2020-2024. Islamic general banks in Indonesia are the population of this research, with a purposive sampling technique, where the following provisions apply:

- 1) The Islamic Commercial Banks listed in the Indonesian banking directory, operating between 2020 and 2024, and not undergoing mergers or acquisitions.
- 2) The Islamic Commercial Banks with Complete Financial Statements, Annual Reports, Corporate Governance Reports, and Sustainability Reports for the 2020-2024.
- 3) Banks operating as Traditional Islamic Commercial Banks but not categorized as digital banks.
- 4) The Islamic Commercial Banks with total assets below IDR 30 trillion by the end of 2024.
- 5) The Islamic Commercial Banks with complete data on their Third Party Funds for the 2020-2024.

From these criteria, 6 islamic commercial banks were obtained, including PT. Bank Muamalat Indonesian, PT. Bank Central Asia Syariah, PT. Bank Panin Dubai Syariah, PT. Bank Mega Syariah, PT. Bank Bukopin Syariah, and PT. Bank Jawa Barat Banten Syariah. This research utilized 30 observations, and the data

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were analyzed using EViews 13 software to process the panel data.

RESULT AND DISCUSSION

T Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-7825649.	5395505.	-1.450402	0.1617
X1	625454.3	242354.1	2.580745	0.0174
X2	4407212.	4297771.	1.025465	0.3168
X3	60350.66	374160.5	0.161296	0.8734

Source: Secondary data processed by Eviews 13, 2025

The partial T-Test happen explain that:

- The results of the partial test of the influence of the Islamic Social Reporting index on Third-Party Funds obtained a T-Count value of 2.580745 with a significance value of $0.0174 < 0.05$, so the Islamic Social Reporting index is stated to influence Third-Party Funds.
- The results of the partial test of the influence of the Maqashid Syariah Index on Third-Party Funds obtained a T-Count value of 1.025485 with a significance value of $0.3168, > 0.05$, so the Maqashid Syariah Index is stated have no influence Third-Party Funds.
- The results of the partial test of the influence of the Good Corporate Governance on Third-Party Funds obtained a T-Count value of 0.161296 with a significance value of $0.8734, > 0.05$, so the Good Corporate Governance is stated have no influence Third-Party Funds.

F Test

F-statistic	232.0426	Durbin-Watson stat	1.745706
Prob(F-statistic)	0.000000		

Source: Secondary data processed by Eviews 13, 2025

Hypothesis testing reveals that ISR, MSI, and GCG have an impact on Third-Party Funds. The F-statistic obtained is 232.0426, meaning that more than F-table value of 2.975154, in addition to supported by a probability of 0.000000, which is less than 0.05. This means that simultaneously, ISR, MSI, and GCG can influence Third-Party Funds.

Determination Coefficient Test

R-squared	0.988814	Mean dependent var	14906587
Adjusted R-squared	0.984553	S.D. dependent var	13861019

Source: Secondary data processed by Eviews 13, 2025

The variables of Islamic Social Reporting, Maqashid Syariah Index, and Good Corporate Governance can explain the third-party funds variable by 98.4553%.

The Influence of Islamic Social Reporting (ISR) on Third Party Funds

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Islamic Social Reporting Influences Third-Party Funds in Islamic Commercial Banks in Indonesia from 2020 to 2024. This finding is consistent with R. Edward Freeman (1984), which emphasize the significance of involving all stakeholders in corporate decision making.

This finding aligns with the studies by Febriani et al. (2016), Ruhana & Suprayogi (2019), and Fauziyyah & Azib (2019), which have shown that Islamic Social Responsibility (ISR) significantly impacts third-party funds. According Nafik et al. (2015), the greater the social activities undertaken by Islamic banks, the greater the public's trust in the products and services offered. Thus, this research confirms that the practice and disclosure of Islamic social responsibility not only reflects compliance with Sharia principles but also serves as a strategy to increase public trust, which has implications for the advance of Third-Party Funds garner by Islamic Banks.

The Influence of the Maqasid Syariah Index (MSI) on Third Party Funds

The Maqasid Syariah Index had no important impact on Third-Party Funds in Islamic Commercial Banks from 2020 to 2024. This finding not aligns with the studies by Fauziyyah & Azib (2019). The Maqasid Syariah Index did not significantly influence Third-Party Funds because the MSI values across banks and years tend to fluctuate and do not show a consistent increase. As a result, the variation in MSI is not strong enough to explain changes in Third-Party Funds. Islamic Banking has achieved several of the objectives Maqasid Syariah, although not all dimensions have been met (Malik et al., 2022). Based on the results, increasing literacy and socialization of Maqasid Syariah values is necessary so that the principles of welfare and justice can encourage increased Third Party Funds.

The Effect of Good Corporate Governance (GCG) on Third Party Funds

The findings of this research show that Good Corporate Governance had no important effect on Third-Party Funds in Islamic Commercial Banks throughout the 2020-2024 period. This finding aligns with Ruhana & Suprayogi (2019), who indicated that the effectiveness of GCG was not directly visible in fundraising.

Several factors cause good corporate governance not to impact third-party funds in Islamic Commercial Banks. First, GCG assessments are often conducted through self-assessments, resulting in scores across banks that tend to be uniform and do not reflect significant differences in performance. Differences in GCG index values between banks may be due to the self-assessment mechanisms employed by each institution, resulting in uniform evaluation results that do not show significant variation across banks (Ruhana & Suprayogi, 2019). Second, GCG implementation is largely a matter of formal compliance with regulations, which does not necessarily substantially alter public perceptions of trust.

CONCLUSION

Only Islamic Social Reporting was shown to hold a partial influence on Third-Party Funds. Higher disclosure of Islamic social responsibility led to increased trust in Islamic banks. The Maqashid Syariah Index did not impact Third-Party Funds because several banks experienced negative performance on the benefit indicator following the pandemic era. Inability of good corporate governance to influence Third-Party Funds was due to implementation factors, with disclosure values across several banks being nearly identical. However, when combined, the ISR, MSI, and GCG variables explained 98.4158% of Third-Party Funds.

Islamic Banks need to strengthen their disclosure of Islamic Social Reports, as this has been shown to increase public trust in depositing funds with Islamic banks. Future researchers are advised to expand the research variables using a qualitative research approach to understand better the non-financial factors that may influence the increase in third-party funds.

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