Al-Ahkam, Vol. 35 No. 2 (2025): 349-370
DOI: 10.21580/ahkam.2025.35.2.27677

AL-AHKAM

The Role of Law in the Implementation of Islamic Social Reporting: A Case Study of Islamic Banking in Asia

Warno Warno,[1*] Tarmizi Achmad,[1] Puji Harto,[1] Bill Pangayow[2]

[1]Universitas Diponegoro, Semarang – Indonesia; [2]Philipines Christian University, Manila – Philippine
*Corresponding author. Email: warno@students.undip.ac.id

Abstract

This study aims to analyze the influence of government regulation on the implementation of Islamic Social Reporting (ISR) in Islamic banking across five countries: Indonesia, Malaysia, Kuwait, the United Arab Emirates, and Bahrain. ISR is a form of sustainability reporting based on Sharia principles, covering six main dimensions: responsibility to fund providers, employees, society, the environment, products, and compliance with regulations. This study employs a qualitative approach using content analysis of annual and sustainability reports of Islamic banks from 2014 to 2023. The findings show that regulations such as POJK No. 51/2017 in Indonesia, the Islamic Financial Services Act (IFSA) 2013 and ESG Guidelines in Malaysia, sustainability policies from the Central Bank of Kuwait, the Securities and Commodities Authority (SCA) guidelines in the United Arab Emirates, and reporting standards from the Central Bank of Bahrain have contributed to improvements in ISR practices, both in terms of formal compliance and the substance of the content. However, most reporting remains administrative in nature and does not fully reflect the values of *maqāṣid al-sharī'a*. Therefore, this study recommends strengthening regulations that not only mandate reporting but also emphasize quality, depth, and the integration of Islamic values into sustainability practices in Islamic banking to achieve meaningful social and environmental.

Keywords:

government regulation on ISR; Islamic banks; Islamic social reporting (ISR); *maqāṣid al-sharī'a*

How to cite:

Warno, Warno, Tarmizi Achmad, Puji Harto, Bill Pangayow. "The Role of Law in the Implementation of Islamic Social Reporting: A Case Study of Islamic Banking in Asia" *Al-Ahkam* 35, no. 2 (October 1, 2025): 439–460. https://doi.org/10.21580/ahkam.2025.35.2.27677.

p-ISSN: 0854-4603; e-ISSN: 2502-3209
Submitted June 30, 2025; Received in Revised Form July 18, 2025; Accepted September 11, 2025

Introduction

Islamic banking, which began as a small-scale initiative, has evolved into a key instrument in promoting economic development and reducing poverty through microfinance and social fund distribution. This aligns with the objectives of *maqāṣid al-sharī'a*, which emphasize public welfare and environmental sustainability. In parallel, the concept of Corporate Social Responsibility (CSR) originally developed in response to corporate misconduct in 19th-century America, has transformed into the Triple Bottom Line framework (profit, people, planet).[1] This model is now widely adopted as sustainability reporting (SR), and within the Islamic context, it is recognized as Islamic Social Reporting (ISR). ISR represents a bank's accountability for social and environmental contributions. For instance, in 2020, Bank Rakyat Indonesia (BRI) allocated 63.9% of its financing to sustainable sectors. Nevertheless, corporate activities often result in adverse environmental effects, such as ecosystem degradation and biodiversity loss, necessitating governmental regulation to mitigate these impacts.[2]

Numerous studies have explored the role of corporations in advancing environmental and social well-being. Findings suggest that sustainability reporting is positively influenced by factors such as company size and financial leverage, with external pressures particularly from stakeholders serving as major drivers.[3] These stakeholders may include regulators, shareholders, customers, and civil society. Research further indicates that foreign ownership plays a significant role in shaping sustainability reporting practices.[4]

Both internal factors (e.g., size, leverage, ownership structure) and external influences (e.g., stakeholder and institutional pressure) affect sustainability

[1] Seong Mi Bae, Md Abdul Kaium Masud, and Jong Dae Kim, "A Cross-Country Investigation of Corporate Governance and Corporate Sustainability Disclosure: A Signaling Theory Perspective," *Sustainability (Switzerland)* 10, no. 8 (2018), https://doi.org/10.3390/su10082611.

[2] Zabihollah Rezaee, "Business Sustainability Research: A Theoretical and Integrated Perspective," *Journal of Accounting Literature* 36 (2016): 48–64, https://doi.org/10.1016/j.acclit.2016.05.003.

[3] Christine Mallin, Hisham Farag, and Kean Ow-Yong, "Corporate Social Responsibility and Financial Performance in Islamic Banks," *Journal of Economic Behavior and Organization* 103 (2014): S21–S38, https://doi.org/10.1016/j.jebo.2014.03.001.

[4] Anugamini Priya Srivastava and Sonal Shree, "Examining the Effect of Employee Green Involvement on Perception of Corporate Social Responsibility: Moderating Role of Green Training," *Management of Environmental Quality: An International Journal* 30, no. 1 (2019): 197–210, https://doi.org/10.1108/MEQ-03-2018-0057.

disclosure. In Islamic banking, government intervention has proven pivotal in promoting ISR implementation. For example, Indonesia's POJK Regulation No. 51 of 2017 mandates sustainability reporting for Islamic financial institutions.[5] While prior research has examined regulatory pressure on CSR, particularly in the manufacturing sector, the specific impact of public regulation on ISR in Islamic banking remains underexplored. Yet, such regulations hold the potential to strengthen transparency, promote sustainable operations, and reinforce corporate social responsibility through both incentives and sanctions.[6]

In Asia, government regulation plays a strategic role in shaping ISR practices in Islamic banking. Through policies such as mandatory reporting requirements, Sharia-compliant disclosure standards, and regulatory oversight, public institutions exert institutional pressure that drives banks toward greater transparency and accountability.[7] Unlike most previous studies that primarily focus on internal organizational factors such as profitability or governance structures this study aims to fill the gap by directly analyzing how government regulation influences ISR adoption. As such, it contributes new insights to the literature on Sharia-based sustainability by highlighting the critical regulatory role in promoting social and environmental disclosure in Islamic banking across Asia.[8]

This study examines how government regulations influence the implementation of Islamic Social Reporting (ISR) in Islamic banking, and assesses whether ISR disclosures encompass all essential components. It considers not only adherence to regulatory requirements like mandatory sustainability reporting but also evaluates the depth and completeness of ISR content across areas such as employee welfare, community engagement,

---

[5] Seoki Lee et al., "Do a Company's Sincere Intentions with CSR Initiatives Matter to Employees?: A Comparison of Customer-Related and Employee-Related CSR Initiatives," *Journal of Global Responsibility* 9, no. 4 (2018): 355–71, https://doi.org/10.1108/JGR-03-2018-0009.

[6] Isabel Gallego-Álvarez and Eduardo Ortas, "Corporate Environmental Sustainability Reporting in the Context of National Cultures: A Quantile Regression Approach," *International Business Review* 26, no. 2 (2017): 337–53, https://doi.org/10.1016/j.ibusrev.2016.09.003.

[7] Siti Nur Ngaini and Mahfud Sholihin, "Mauquf'alaih as a Waqf Accountability Center (Prophetic Social Approach)," *Journal of Islamic Accounting and Finance Research* 5, no. 2 (November 2023): 273–98, https://doi.org/10.21580/jiafr.2023.5.2.16070.

[8] Dominik Dienes, Remmer Sassen, and Jasmin Fischer, "What Are the Drivers of Sustainability Reporting? A Systematic Review," *Sustainability Accounting, Management and Policy Journal* 7, no. 2 (2016): 154–89, https://doi.org/10.1108/SAMPJ-08-2014-0050.

environmental stewardship, product/service quality, and compliance with Sharia principles.[9] Ultimately, the study aims to determine whether ISR in Islamic banks serves merely as a compliance exercise or genuinely reflects transparent and meaningful social responsibility practices.[10]

A qualitative content analysis was conducted on annual reports and sustainability reports published by Islamic banks between 2014 and 2023. This study not only evaluates the existence of such disclosures but also compares the impact of regulations in each country on the substance of ISRs. The aim is to understand how regulatory frameworks encourage substantive ISR implementation and to identify reporting gaps or best practices across the Asian context.[11]

The selection of Indonesia, Malaysia, Bahrain, the United Arab Emirates, and Kuwait for this study of Islamic Social Reporting (ISR) implementation is based on the five countries' strategic positions in the development of global Islamic finance, as well as significant differences in their regulatory systems, institutional cultures, and the level of adoption of Islamic social reporting principles. Indonesia and Malaysia represent the Southeast Asian region, with relatively well-established ISR regulatory frameworks, supported by financial authorities and reporting standards that are beginning to explicitly integrate Sharia values. On the other hand, Bahrain, the UAE, and Kuwait are Gulf countries that have become centers of international Islamic finance, adopting international standards such as AAOIFI, but with differing dynamics of ISR implementation due to economic factors, corporate governance, and national policy priorities. This variation provides a rich comparative framework for evaluating the effectiveness of ISR implementation and for identifying key factors that promote or hinder Islamic-compliant social reporting across different economic and geographic contexts.

---

[9] Xiaobei Beryl Huang and Luke Watson, "Corporate Social Responsibility Research in Accounting," *Journal of Accounting Literature* 34 (2015): 1–16, https://doi.org/10.1016/j.acclit.2015.03.001.

[10] Zhaofang Chu, Linlin Wang, and Fujun Lai, "Customer Pressure and Green Innovations at Third Party Logistics Providers in China: The Moderation Effect of Organizational Culture," *International Journal of Logistics Management* 30, no. 1 (2019): 57–75, https://doi.org/10.1108/IJLM-11-2017-0294.

[11] Mohsin Shabir et al., "Impact of Corporate Social Responsibility on Bank Performance in Emerging Markets," *International Journal of Emerging Markets*, 2024, https://doi.org/10.1108/IJOEM-02-2023-0208.

According to R. Edward Freeman's Stakeholder Theory, businesses must generate value for all stakeholders including shareholders, creditors, customers, suppliers, government, society, and analysts rather than focus solely on their interests. The theory emphasizes that organizational success depends not only on financial performance but also on addressing the needs and well-being of stakeholders to create sustainable value. Stakeholders fall into two categories: primary (e.g., shareholders, employees, customers, suppliers) who have direct and vital ties to the organization, and secondary (e.g., local communities, government, media) indirectly affected by its decisions. Organizations must wisely balance these interests to achieve mutually beneficial outcomes.[12]

While stakeholder theory provides valuable guidance, implementing it can be challenging due to conflicting interests for instance, when prioritizing shareholder profit undermines employee welfare or environmental health.[13] Leading models like Freeman's and Mitchell, Agle & Wood's (which evaluates stakeholders by power, legitimacy, and urgency) help identify and engage key stakeholders based on their influence and importance. Stakeholder theory underpins ISR by explaining why companies should transparently disclose their sustainability performance not only to comply with regulations but to demonstrate genuine accountability to all stakeholders. Embracing this framework can strengthen relationships, enhance reputation, and support long-term sustainability.[14]

This study specifically examines regulatory pressure from government stakeholders. Here, regulations and incentives are defined as laws, standards, and guidelines whether coercive or persuasive issued by national or foreign governments, parent companies, or international organizations, that motivate organizations to adopt ISR. In Muslim-majority countries, such external

---

[12] R. Edward Freeman, "The Stakeholder Approach Revisited," *Zeitschrift Für Wirtschafts- Und Unternehmensethik* 5, no. 3 (2004): 228–41, https://doi.org/10.5771/1439-880x-2004-3-228.

[13] Shabir et al., "Impact of Corporate Social Responsibility on Bank Performance in Emerging Markets."

[14] Mustofa et al., "Strengthening Zakat Regulation through the Siyāsah Māliyah Approach: A Constitutional and Legal Analysis of Indonesia and Malaysia," *Juris: Jurnal Ilmiah Syariah* 24, no. 1 (2025): 111–26, https://doi.org/10.31958/juris.v24i1.14637.

pressures are critical not only for enforcing compliance but also for aligning business practices with broader societal and religious expectations.[15]

Islamic Banking and ISR

Government pressure through laws and regulations is a major external factor that compels companies to address environmental and social issues in their operations. A state can be defined as an organized political entity with legitimate authority over a specific territory and population. It possesses sovereignty, political unity, and the power to set national objectives. As a key stakeholder, the government influences corporate behavior by mandating the implementation of Corporate Social Responsibility (CSR) through specific regulatory frameworks.[16] These frameworks, particularly those concerning sustainability reporting, have been shown to improve the transparency and accountability of corporate disclosures.[17]

In Indonesia, CSR implementation and reporting in the banking sector are regulated by OJK Regulation No. 51/POJK.03/2017 on Sustainable Finance and OJK Circular Letter No. 16/SEOJK.04/2021 on the Form and Content of Sustainability Reports. These provisions require all banks conventional and Shariah-based to prepare a Sustainable Finance Action Plan (*Rencana Aksi Keuangan Berkelanjutan* or RAKB) and submit regular sustainability reports covering economic, social, and environmental performance. The aim is to encourage banks to adopt sustainable development principles with greater transparency and accountability.

For Islamic banks, CSR implementation is not only regulatory but also guided by Sharia principles, including justice, balance, and social concern. CSR activities are often reflected in zakat, infaq, sadaqah, and community empowerment programs aligned with Islamic values. Reporting in this context

---

[15] Thomas Pogge and Mitu Sengupta, "The Sustainable Development Goals: A Plan for Building a Better World?," *Journal of Global Ethics* 11, no. 1 (2015): 56–64, https://doi.org/10.1080/17449626.2015.1010656.

[16] Yousif Abdelbagi Abdalla and A. K. Siti-Nabiha, "Pressures for Sustainability Practices in an Oil and Gas Company: Evidence from Sudan," *Qualitative Research in Accounting and Management* 12, no. 3 (2015): 256–86, https://doi.org/10.1108/QRAM-04-2014-0038.

[17] Hukmiah Husein et al., "Zakat and Empowerment of the Bajo Tribe Fishing Community in Bone, South Sulawesi: Collaboration between BAZNAS and the Ministry of Religion," *El-Usrah* 7, no. 2 (2024): 462–79, https://doi.org/10.22373/ujhk.v7i2.24961.

may adopt the Islamic Social Reporting (ISR) framework, which incorporates spiritual values into sustainability. Through regulatory oversight by the OJK and reputational incentives, banks are encouraged to go beyond administrative compliance and fulfill their social roles in a meaningful and sustainable way[18].

In stakeholder theory, identifying stakeholders relevant to an issue includes recognizing their interests and power. "Interest" refers to a stakeholder's concern in shaping a policy, while "power" is their ability to influence or enforce that policy.[19] Government pressure on Islamic Social Reporting (ISR) is a corporate communication mechanism that ensures transparency in alignment with Islamic principles. In Indonesia, stakeholder responsibility within banking has evolved significantly, reflecting increasing social awareness, though improvements remain necessary.[20]

Government pressure on ISR includes regulatory enforcement and monitoring to ensure compliance with Sharia-aligned sustainability reporting. Regulations may require companies to disclose the use of zakat and infaq for community welfare and offer incentives for those adhering to Sharia-based reporting. These pressures support both regulatory compliance and alignment with international sustainability standards, increasing the credibility of reports. Compliance can enhance corporate reputation, foster public trust, and advance sustainable development aligned with Islamic values.[21]

Stakeholder theory maintains that companies must address the needs of all relevant stakeholders, including the government, which holds the responsibility of ensuring national welfare. One mechanism to achieve this is through enforceable regulations, such as those mandating sustainability reporting.

---

[18] Mehdi Taghian, Clare D'Souza, and Michael J. Polonsky, "A Stakeholder Approach to Corporate Social Responsibility, Reputation and Business Performance," *Social Responsibility Journal* 11, no. 2 (2015): 340–63, https://doi.org/10.1108/SRJ-06-2012-0068.

[19] Muhammad Maksum, "The Relationship Model of Sharia and Financial Authorities," *Ahkam: Jurnal Ilmu Syariah* 20, no. 1 (2020): 115–36, https://doi.org/10.15408/ajis.v20i1.16235.

[20] Arif Hussain et al., "Determinants of Islamic Social Reporting in Islamic Banks of Pakistan," *International Journal of Law and Management* 63, no. 1 (2021): 1 – 15, https://doi.org/10.1108/IJLMA-02-2020-0060.

[21] Raden Arfan Rifqiawan et al., "Deconstruction of Basic Accounting Principles through the Values of Sufism in the Syarah Ḥikam by Sheikh Aḥmad Zarrūq," *Journal of Islamic Accounting and Finance Research* 6, no. 2 (2024): 321–53, https://doi.org/10.21580/jiafr.2024.6.2.22984.

These rules, along with sanctions for non-compliance, compel companies to adopt and disclose CSR practices in their reports.[22]

The Regulation in Five Muslim Countries

In the context of the global development of corporate governance, regulations related to Islamic Social Reporting (ISR) have evolved significantly across countries in response to the growing demands for transparency, accountability, and sustainability. Each jurisdiction adopts a different approach ranging from voluntary frameworks to mandatory legal requirements reflecting variations in policy orientation and the maturity level of each nation's economic system. The following table presents a comparative overview of CSR regulations around the world.

Table 1
ISR Regulations in Asia

Country	Regulation	Key Provisions
Indonesia	POJK No. 51/2017	RAKB, periodic sustainability reporting, CSR, incentive/sanction mechanisms
Malaysia	IFSA 2013 & Bursa Guidelines	Shariah governance, public ESG disclosures
UAE	SCA ESG Guidelines	Voluntary ESG disclosures
Bahrain	CBB Rulebook Vol. 2	Shariah and social disclosures in Islamic banks
Kuwait	CMA Governance Rules	Social and environmental disclosures under corporate governance

Government regulations concerning CSR and ISR vary in structure and enforcement across Asia. In Indonesia, POJK No. 51/POJK.03/2017 mandates all financial institutions—including Islamic banks to prepare a RAKB and report annually on their economic, social, and environmental impact. It emphasizes

[22] Marc Orlitzky, Frank L. Schmidt, and Sara L. Rynes, *Corporate Social and Financial Performance: A Meta-Analysis*, *Organization Studies*, vol. 24, 2003, https://doi.org/10.1177/0170840603024003910.

both administrative and substantive reporting and includes a system of incentives and penalties.[23]

Malaysia enforces Shariah governance under the Islamic Financial Services Act (IFSA) 2013 and requires listed companies to disclose ESG data via Bursa Malaysia's sustainability reporting guidelines. While not specific to ISR, these frameworks support Islamic reporting principles. In the UAE, ESG reporting remains voluntary under the Securities and Commodities Authority's 2020 guidelines. Bahrain requires Shariah and social disclosures from Islamic banks under the Central Bank's Rulebook Volume 2, while Kuwait mandates general CSR and environmental disclosures through the Capital Markets Authority's governance rules, though ISR remains unspecified.[24]

Implementation of Islamic Social Reporting in Asia

The implementation of Islamic Social Reporting (ISR) in Asia has been gaining increasing attention as Islamic banking is encouraged not only to focus on conventional financial reporting, but also to integrate shariah-based accountability into its reporting practices. ISR emphasizes the importance of transparency not only in financial aspects, but also in social justice, ethical responsibility, zakat distribution, and broader contributions to the welfare of the ummah. However, the level of ISR implementation varies across Asian countries, depending on regulatory frameworks, the maturity of the Islamic finance industry, and institutional pressures from stakeholders.[25] The following table presents a comparative overview of ISR implementation in various Asian jurisdictions.

---

[23] Qodariah Barkah et al., "Legal Transformation of Indonesian Sharia Banks Towards Digital Banking in the Era of Industrial Revolution 4.0," *Al-'Adalah* 21, no. 2 (2024): 347–70, https://doi.org/10.24042/adalah.v21i2.21254.

[24] Ataina Hudayati and Achmad Tohirin, "A Maqasid and Shariah Enterprises Theory-Based Performance Measurement for Zakat Institution," *International Journal of Zakat* 4, no. 2 (2019): 101–10, https://doi.org/10.37706/ijaz.v4i2.192.

[25] Syafril Wicaksono et al., "Maqashid Sharia Progressive: Anatomical and Transformational of Halal Institutions in UIN KHAS Jember," *El-Mashlahah* 13, no. 2 (December 31, 2023): 107–32, https://doi.org/10.23971/el-mashlahah.v13i2.7370.

Table 2
Comparative Analysis of Islamic Social Reporting (ISR) Implementation in Asia and the Middle East (2014–2023)

Country	Number of Banks	Highest Score (Average)	Top-Performing Bank	Improvement Period	General Notes	Relevant Regulation(s)
Indonesia	8	29.82	Bank Syariah Indonesia (BSI)	2017–2020	Significant increase following mandatory ISR regulation	POJK No. 51/2017 & SEOJK No. 16/2021 (mandatory reporting)
Malaysia	8	27.00	Hong Leong Islamic Bank	2016–2023	Strong framework but ISR not mandatory	IFSA 2013 & BNM Sustainability Reporting Guidelines (voluntary)
Kuwait	4	14.25	Kuwait Finance House	Not significant	Stagnant scores, ESG recently applied voluntarily	ESG Guidelines 2022 (CBK & CMA), no formal ISR regulation
United Arab Emirates	4	18.50	Dubai Islamic Bank	Stable, no surge	ESG roadmap exists but no formal ISR regulation	Sustainable Finance Roadmap (FSRA & DFSA), ISR not yet mandatory
Bahrain	4	30.75	GFH Financial Group	High and stable since 2014	High scores despite lack of formal ISR regulation	Refers to AAOIFI & IFSB standards; no national ISR regulation yet

A cross-country comparative analysis of Islamic Social Reporting (ISR) implementation in Islamic banks across Asia and the Middle East from 2014 to 2023 reveals notable differences in performance. Indonesia and Bahrain stand out with consistently high and improving ISR scores, suggesting the influence of supportive regulatory environments. In Indonesia, the introduction of POJK No. 51 of 2017, which mandates sustainability reporting, significantly contributed to this progress.[26] Conversely, ISR scores in Kuwait and the United Arab Emirates (UAE) remain low and stagnant, indicating that ISR has yet to become a central element in banking disclosure practices in those jurisdictions. Malaysia occupies a middle ground, characterized by a relatively stable trend with considerable variation among individual banks. These findings highlight the pivotal role of government regulation in fostering more structured and meaningful ISR practices across countries.[27]

From 2014 to 2023, trends in ISR implementation vary considerably among countries and financial institutions. In Indonesia, banks such as Bank Muamalat and Bank Syariah Indonesia (BSI) demonstrate a consistently upward trajectory in ISR scores, typically within the 27–31 range. This upward trend is closely associated with the regulatory mandate of POJK No. 51/2017. In contrast, Malaysia presents a more heterogeneous picture. While banks such as Maybank and Hong Leong Malaysia show strong ISR performance, the overall trend across banks remains moderate and inconsistent. This reflects a partial and uneven internalization of regulations like the Islamic Financial Services Act (IFSA) 2013, which supports Islamic finance broadly but does not specifically require ISR reporting. In Kuwait and the UAE, low and stagnant ISR scores reflect the limited regulatory emphasis on Islamic social reporting. Bahrain, however, shows a high and stable ISR trend, particularly in institutions such as GFH Financial Group and Bahrain Islamic Bank. Despite the absence of comprehensive ISR regulations, Bahrain's consistent performance suggests the presence of robust internal governance and Sharia compliance culture.[28]

The consistency of ISR scores across banks is an important indicator of the maturity and institutionalization of ISR practices. Institutions like Bank Islam Malaysia Bhd and GFH Financial Group BSC, which maintain high and stable ISR

---

[26] Andi Zulfikar, "Disclosure of Isr and Gri Index on Sharia Banking in Indonesia," *Nisbah: Jurnal Perbankan Syariah* 4, no. 1 (2018): 64, https://doi.org/10.30997/jn.v4i1.1164.

[27] Zawawi Zawawi et al., "Waqf and Sustainable Development Law: Models of Waqf Institutions in the Kingdom of Saudi Arabia and Indonesia," *Ijtihad: Jurnal Wacana Hukum Islam dan Kemanusiaan* 23, no. 1 (July 10, 2023): 93–114, https://doi.org/10.18326/ijtihad.v23i1.93-114.

[28] Muhammad Syafii Antonio, Sugiyarti Fatma Laela, and Thuba Jazil, "Abu Zahrah'S Maqasid Sharia Model As a Performance Measurement System," *Jurnal Akuntansi Multiparadigma* 11, no. 3 (2020): 519–41, https://doi.org/10.21776/ub.jamal.2020.11.3.30.

scores, reflect strong internal governance, regulatory adherence, and commitment to Islamic values. In contrast, banks with fluctuating ISR scores may face challenges such as inconsistent leadership, underdeveloped reporting mechanisms, low regulatory pressure, or a lack of formalized internal policies. These inconsistencies often point to ISR being treated as a compliance exercise rather than a strategic and ethical obligation.[29]

An in-depth assessment of ISR implementation in Indonesia, Malaysia, Bahrain, and Kuwait during this period underscores the central role of government regulation in shaping both the quality and consistency of ISR reporting. Indonesia shows the clearest regulatory impact, with POJK No. 51 of 2017 explicitly requiring financial institutions to publish sustainability reports. Malaysia's IFSA 2013 supports Islamic financial governance but lacks direct ISR requirements, resulting in varied performance levels across banks. Bahrain's high performance, despite no ISR-specific regulation, demonstrates that institutional commitment and a strong Sharia compliance framework can compensate for regulatory gaps. Kuwait and the UAE lag in both score consistency and substance, reflecting weak regulatory momentum in this domain.[30]

Cross-country comparisons show that the successful implementation of Islamic Social Reporting (ISR) is highly dependent on the quality of corporate governance and adequate regulatory support. Islamic banks operating in jurisdictions with sound governance structures and mandatory, sustainability-oriented ISR regulations tend to have higher-quality, more consistent reporting that more substantively reflects Islamic values. In Indonesia, for example, mandatory social and sustainability reporting is mandated through regulations such as Law No. 40 of 2007 concerning Limited Liability Companies (Article 74), and is reinforced by OJK Regulation No. 51/POJK.03/2017 concerning the implementation of sustainable finance. These regulations encourage Islamic financial institutions to actively report their social and environmental activities within the framework of Islamic values, including reporting zakat, philanthropic

---

[29] Ririn Irmadariyani et al., "Empirical Investigation of the Role of Sharia's Corporate Social Responsibility on the Relationship between Firm Size and Profitability," *International Journal of Scientific and Technology Research* 8, no. 7 (2019): 18 – 22.

[30] Kishore Kumar and Ajai Prakash, "Developing a Framework for Assessing Sustainable Banking Performance of the Indian Banking Sector," *Social Responsibility Journal* 15, no. 5 (2019): 689–709, https://doi.org/10.1108/SRJ-07-2018-0162.

activities, inclusive financing, and environmental conservation efforts. This integration of formal regulations serves as an important foundation for the internalization of the *maqāṣid al-sharī'a* principles in Islamic banking business activities in Indonesia, which are increasingly evolving toward an ethical and sustainable approach.[31]

In contrast, in countries without formal ISR reporting obligations, such as Bahrain, the quality of ISR disclosure tends to be low, inconsistent, and voluntary.[32] Although financial institutions in these countries adhere to international standards such as the AAOIFI and IFSB, the absence of a regulatory oversight mechanism or binding national regulations prevents ISR reporting from becoming an integral part of corporate strategy. As a result, the resulting reports are often general in nature and do not reflect Islamic values in depth. This situation emphasizes the importance of a structured and mandatory regulatory framework in enhancing the effectiveness and quality of ISR implementation. However, the success of ISR implementation depends not only on formal compliance with regulations but also on the consistent application of relevant and meaningful indicators those that concretely reflect the fundamental principles of Islamic ethics, such as fairness, transparency, social welfare, and responsibility to society. Therefore, ideal ISR reporting should go beyond mere administrative compliance and reflect the internalization of Islamic values throughout the activities of Islamic financial institutions.

Substantive ISR: A Multidimensional Framework

The degree to which ISR reports capture substantive content varies significantly by country. Conceptually, the substance of ISR encompasses six key dimensions: Responsibility toward fund providers (shareholders and depositors), Responsibility toward employees, Social responsibility to the community, Responsibility for environmental preservation, Provision of halal

---

[31] Rita Wijayanti and Doddy Setiawan, "Social Reporting by Islamic Banks: The Role of Sharia Supervisory Board and the Effect on Firm Performance," *Sustainability (Switzerland)* 14, no. 17 (2022), https://doi.org/10.3390/su141710965.

[32] Mohammad Ghozali et al., "The Law Concept of Sharia Banking Compliance on Murabaha Financing in Indonesia," *Samarah* 8, no. 3 (November 2024): 1391–1408, https://doi.org/10.22373/sjhk.v8i3.11313.

and ethical products and services, and Compliance with Sharia principles, including oversight by the Sharia Supervisory Board.[33]

In Indonesia, the formalization of ISR reporting through POJK No. 51/2017 has significantly advanced the practice, but many banks still fall short of reporting comprehensively across all six dimensions. Reports often emphasize administrative formality over substantive disclosure. Malaysia, despite a well-established Sharia governance framework under IFSA 2013, demonstrates inconsistent reporting depth due to the absence of specific ISR regulations. Bahrain presents a strong contrast banks show high consistency and depth in covering all ISR dimensions, reflecting institutional commitment and robust Sharia awareness. Kuwait, by contrast, continues to show weak ISR performance in both form and content, with many reports omitting key aspects of Islamic social responsibility.[34] These observations underscore that achieving meaningful ISR depends not only on regulatory mandates but also on internal commitment, mature Sharia governance structures, and a genuine orientation toward Islamic ethical values.[35]

Table 3
Development of ISR

Country	Example Bank	ISR Score Range	Trend (2014–2023)	Substantive ISR Implementation
Indonesia	Bank Syariah Indonesia (BSI)	27 → 31	Steady increase	Strong and growing commitment
	BCA Syariah	21 → 30	Significant growth	

[33] Faried Kurnia Rahman et al., "Maqashid Al-Shari'ah-Based Performance Measurement for the Halal Industry," *Humanomics* 33, no. 3 (August 14, 2017): 357–70, https://doi.org/10.1108/H-03-2017-0054.

[34] Aam S. Rusydiana and Irman Firmansyah, "Efficiency versus Maqashid Sharia Index: An Application on Indonesian Islamic Bank," *Shirkah: Journal of Economics and Business* 2, no. 2 (2018), https://doi.org/10.22515/shirkah.v2i2.154.

[35] Syahiza Arsad et al., "Ownership Structure and Islamic Corporate Social Responsibility Disclosure: Empirical Evidence from the Shari'ah Compliant Companies in Malaysia," *International Journal of Innovation, Creativity and Change* 11, no. 12 (2020): 26–42.

Country	Example Bank	ISR Score Range	Trend (2014–2023)	Substantive ISR Implementation
	Bank Muamalat	Constant at 27	Consistently high	
Malaysia	Bank Islam Malaysia Bhd	Constant at 14	No notable change	Formalistic, limited progress
	Public Islamic Bank	Constant at 11	No change	
Kuwait	Kuwait Finance House	Constant at 3	No change	Low, underdeveloped
	Boubyan Bank	9 → 17	Moderate increase	
UAE	Emirates Islamic Bank	Constant at 18	No change	Stable, limited value integration
	Dubai Islamic Bank	20–21	No change	
Bahrain	GFH Financial Group BSC	Constant at 31	High but static	Strong compliance, minimal progress
	Bahrain Islamic Bank	29–31	Consistently high	

Based on the data, Indonesia demonstrates the most substantial and progressive implementation of Islamic Social Reporting (ISR) among the countries observed. This is reflected in the consistently increasing ISR scores across various banks. For instance, *Bank Syaariah indonesia (BSI)* shows a steady rise from 27 in 2014 to 31 in 2023, *BCA Syariah* from 21 to 30, and *Bank Muamalat* maintains a high score of 27 throughout the years. These trends indicate not only regulatory compliance but also a deeper integration of sharia values such as transparency, social responsibility, and ethical commitment in corporate reporting.

In contrast, Malaysia shows relatively stable but stagnant ISR figures. For example, *Bank Islam Malaysia Bhd* and *OCBC Al Amin* remain at 14, and *Public Islamic Bank* at 11, indicating that ISR practices tend to be formal and administrative rather than driven by substantive ethical or spiritual values. Kuwait and the United Arab Emirates (UAE) exhibit low to moderate ISR scores that remain static over the years, suggesting limited development in the depth of sharia-based reporting. Meanwhile, Bahrain records consistently high ISR values—such as *GFH Financial Group* with 31 and *Bahrain Islamic Bank* with 29–31—yet without significant year-to-year variation, implying strong initial compliance but limited ongoing progress in substantive ISR adoption

The implementation of Islamic Social Reporting (ISR) in various countries is based on diverse regulatory frameworks, both international standards such as AAOIFI and Sharia-based IFRS, as well as national regulations by institutions such as the Financial Services Authority (OJK), the National Sharia Council (DSN-MUI), and Bank Negara Malaysia. ISR differs from conventional social reporting because it is based on spiritual values and Sharia principles such as fairness, transparency, and social responsibility. This reporting is not only intended for stakeholders but also serves as a form of accountability to Allah SWT, and supports the achievement of *maqāṣid al-sharī'a* through ethical business practices oriented toward social welfare.[36]

Regulation plays a strategic role in encouraging sustainable business practices, although it is often shaped by the competing interests of various actors. In the context of Islamic Social Reporting (ISR), even though regulations have been enacted, their implementation remains challenging because most companies view them as administrative obligations, rather than substantial commitments to Islamic sustainability values. The government needs to adopt a more holistic approach by providing strong incentives and oversight to ensure reporting truly reflects Sharia principles. Within the framework of stakeholder theory, pressure from the government as a regulator plays a crucial role in ensuring companies' compliance with values-based sustainability reporting, including Islamic Social Reporting.

Conclusion

The implementation of Islamic Social Reporting (ISR) across Indonesia, Malaysia, Bahrain, and Kuwait shows varying levels of regulatory and substantive success. Indonesia demonstrates strong progress due to regulatory support through POJK No. 51/2017, particularly among major Islamic banks

[36] Masrawan et al., "Legal Conflict in Zakat Management in the Prismatic Communities of Kapuas Regency, Central of Kalimantan," *Al-'Adalah* 19, no. 1 (2022): 179–94, https://doi.org/10.24042/adalah.v19i1.12466.

such as BSI. Malaysia benefits from a solid Sharia governance framework but lacks consistent ISR performance, while Bahrain's stable results highlight the importance of strong internal governance even without direct regulation. Conversely, Kuwait lags behind due to weak institutional commitment and limited regulatory enforcement. Overall, ISR reports in these countries often remain administrative and fail to fully address the six core dimensions of Islamic social responsibility, indicating a need for deeper ethical and spiritual integration.

To enhance effectiveness, Malaysia and Kuwait are encouraged to develop explicit ISR regulations focusing on substantive outcomes across the six dimensions: fund provider responsibility, employee rights, community welfare, environmental stewardship, halal and ethical assurance, and Sharia compliance. Regulators should not only mandate ISR administratively but also foster authentic reporting aligned with Islamic ethical principles through capacity building and incentives. Theoretically, integrating the *maqāṣid al-sharī'a* as the main framework can transform ISR into a genuine instrument of Islamic accountability advancing social justice, sustainability, and the welfare of the ummah in line with the true objectives of Islamic economics.[a]

Author Contribution Statement

Warno Warno: Conceptualization; Data Curation; Formal Analysis; Investigation; Methodology; Project Administration; Resources; Validation; Visualization; Writing Original Draft; Writing, Review & Editing.

Tarmizi Achmad: Validation; Visualization; Writing, Review & Editing; Translation.

Puji Harto: Validation; Visualization; Writing, Review & Editing; Translation.

Bill Pangayow: Writing Original Draft; Writing, Review & Editing

BIBLIOGRAPHY

Abas, All-Mu'izz, and Mohd Al Adib Samuri. "Islamic Legal Perspectives on Refugee Protection and Welfare: A Case Study of Malaysia." *De Jure: Jurnal Hukum dan Syar'iah* 16, no. 1 (June 30, 2024): 141–60. https://doi.org/10.18860/j-fsh.v16i1.26507.

Abdalla, Yousif Abdelbagi, and A. K. Siti-Nabiha. "Pressures for Sustainability Practices in an Oil and Gas Company: Evidence from Sudan." *Qualitative Research in Accounting and Management* 12, no. 3 (2015): 256–86. https://doi.org/10.1108/QRAM-04-2014-0038.

Abubakar, Yusuf Sani. "Corporate Social Responsibility of Islamic Financial Institutions: A Look from the Maqasid Al-Shariah (Purpose of Shariah) Approach." *Business and Economics Journal* 07, no. 04 (2016). https://doi.org/10.4172/2151-6219.1000255.

Antonio, Muhammad Syafii, Sugiyarti Fatma Laela, and Thuba Jazil. "Abu Zahrah'S Maqasid Sharia Model As a Performance Measurement System." *Jurnal Akuntansi Multiparadigma* 11, no. 3 (2020): 519–41. https://doi.org/10.21776/ub.jamal.2020.11.3.30.

Arsad, Syahiza, Roshima Said, Haslinda Yusoff, and Rahayati Ahmad. "Ownership Structure and Islamic Corporate Social Responsibility Disclosure: Empirical Evidence from the Shari'ah Compliant Companies in Malaysia." *International Journal of Innovation, Creativity and Change* 11, no. 12 (2020): 26–42.

Bae, Seong Mi, Md Abdul Kaium Masud, and Jong Dae Kim. "A Cross-Country Investigation of Corporate Governance and Corporate Sustainability Disclosure: A Signaling Theory Perspective." *Sustainability (Switzerland)* 10, no. 8 (2018). https://doi.org/10.3390/su10082611.

Baining, Mellya Embun, Amri Amir, Achmad Hizazi, and Enggar Diah Puspa Arum. "Finding the Maqashid Al-Syariah Performance Model on Syariah Management Accounting Information System Values." *Al-Risalah: Forum Kajian Hukum dan Sosial Kemasyarakatan* 24, no. 2 (2024): 87–104. https://doi.org/10.30631/alrisalah.v24i2.1642.

Barkah, Qodariah, S. A. Romli, Is Muhamad Sadi, Andriyani, and A'Dawiyah Bt Ismail. "Legal Transformation of Indonesian Sharia Banks Towards Digital Banking in the Era of Industrial Revolution 4.0." *Al-'Adalah* 21, no. 2 (2024): 347–70. https://doi.org/10.24042/adalah.v21i2.21254.

Chu, Zhaofang, Linlin Wang, and Fujun Lai. "Customer Pressure and Green Innovations at Third Party Logistics Providers in China: The Moderation Effect of Organizational Culture." *International Journal of Logistics Management* 30, no. 1 (2019): 57–75. https://doi.org/10.1108/IJLM-11-2017-0294.

Dienes, Dominik, Remmer Sassen, and Jasmin Fischer. "What Are the Drivers of Sustainability Reporting? A Systematic Review." *Sustainability Accounting, Management and Policy Journal* 7, no. 2 (2016): 154–89. https://doi.org/10.1108/SAMPJ-08-2014-0050.

Freeman, R. Edward. "The Stakeholder Approach Revisited." *Zeitschrift Für Wirtschafts- Und Unternehmensethik* 5, no. 3 (2004): 228–41. https://doi.org/10.5771/1439-880x-2004-3-228.

Gallego-Álvarez, Isabel, and Eduardo Ortas. "Corporate Environmental Sustainability Reporting in the Context of National Cultures: A Quantile Regression Approach." *International Business Review* 26, no. 2 (2017): 337–53. https://doi.org/10.1016/j.ibusrev.2016.09.003.

Ghozali, Mohammad, Devid Frastiawan Amir Sup, Ika Prastyaningsih, and Hasanuddin Yusuf Adan. "The Law Concept of Sharia Banking Compliance on Murabaha Financing in Indonesia." *Samarah* 8, no. 3 (November 2024): 1391–1408. https://doi.org/10.22373/sjhk.v8i3.11313.

Huang, Xiaobei Beryl, and Luke Watson. "Corporate Social Responsibility Research in Accounting." *Journal of Accounting Literature* 34 (2015): 1–16. https://doi.org/10.1016/j.acclit.2015.03.001.

Hudaefi, Fahmi Ali, and Abdul Malik Badeges. "Maqāṣid Al-Sharīʿah on Islamic Banking Performance in Indonesia: A Knowledge Discovery via Text Mining." *Journal of Islamic Marketing*, 2021. https://doi.org/10.1108/JIMA-03-2020-0081.

Hudayati, Ataina, and Achmad Tohirin. "A Maqasid and Shariah Enterprises Theory-Based Performance Measurement for Zakat Institution." *International Journal of Zakat* 4, no. 2 (2019): 101–10. https://doi.org/10.37706/ijaz.v4i2.192.

Husein, Hukmiah, Wardana Said, Muh Darwis, Muh Arafah, and Hamsah Hasan. "Zakat and Empowerment of the Bajo Tribe Fishing Community in Bone, South Sulawesi: Collaboration between BAZNAS and the Ministry of Religion." *El-Usrah* 7, no. 2 (2024): 462–79. https://doi.org/10.22373/ujhk.v7i2.24961.

Hussain, Arif, Muhammad Khan, Alam Rehman, Shehnaz Sahib Zada, Shumaila Malik, Asiya Khattak, and Hassan Khan. "Determinants of Islamic Social Reporting in Islamic Banks of Pakistan." *International Journal of Law and Management* 63, no. 1 (2021): 1 – 15. https://doi.org/10.1108/IJLMA-02-2020-0060.

Irmadariyani, Ririn, Isti Fadah, Diana Sulianti K Tobing, and Siti Maria Wardayati. "Empirical Investigation of the Role of Sharia's Corporate Social Responsibility on the Relationship between Firm Size and Profitability." *International Journal of Scientific and Technology Research* 8, no. 7 (2019): 18 – 22.

Khamim, Rizky Adithya, Raziki Waldan, Ubbadul Adzkiya', and Uray M. Nur. "Interpreting Corporate Zakat as Trade Zakat: The Construction of Islamic Legal Knowledge and Zakat Collection Practices at Baitulmaal Munzalan Indonesia." *Journal of Islamic Law* 6, no. 1 (2025): 112–34. https://doi.org/10.24260/jil.v6i1.3679.

Kumar, Kishore, and Ajai Prakash. "Developing a Framework for Assessing Sustainable Banking Performance of the Indian Banking Sector." *Social*

Responsibility Journal 15, no. 5 (2019): 689–709. https://doi.org/10.1108/SRJ-07-2018-0162.

Lee, Seoki, Kiwon Lee, Yixing Gao, Qu Xiao, and Martha Conklin. "Do a Company's Sincere Intentions with CSR Initiatives Matter to Employees?: A Comparison of Customer-Related and Employee-Related CSR Initiatives." *Journal of Global Responsibility* 9, no. 4 (2018): 355–71. https://doi.org/10.1108/JGR-03-2018-0009.

Mahmood, Zeeshan, Rehana Kouser, Waris Ali, Zubair Ahmad, and Tahira Salman. "Does Corporate Governance Affect Sustainability Disclosure? A Mixed Methods Study." *Sustainability (Switzerland)* 10, no. 1 (2018): 1–20. https://doi.org/10.3390/su10010207.

Maksum, Muhammad. "The Relationship Model of Sharia and Financial Authorities." *Ahkam: Jurnal Ilmu Syariah* 20, no. 1 (2020): 115–36. https://doi.org/10.15408/ajis.v20i1.16235.

Mallin, Christine, Hisham Farag, and Kean Ow-Yong. "Corporate Social Responsibility and Financial Performance in Islamic Banks." *Journal of Economic Behavior and Organization* 103 (2014): S21–S38. https://doi.org/10.1016/j.jebo.2014.03.001.

Masrawan, A. Hafiz Anshari, Budi Rahmat Hakim, and Syaikhu. "Legal Conflict in Zakat Management in the Prismatic Communities of Kapuas Regency, Central of Kalimantan." *Al-'Adalah* 19, no. 1 (2022): 179–94. https://doi.org/10.24042/adalah.v19i1.12466.

Mustofa, Hisam Ahyani, Doddy Afandi Firdaus, Haris Maiza Putra, Arwansyah Bin Kirin, and Zakiyyu Muhammad. "Strengthening Zakat Regulation through the Siyāsah Māliyah Approach: A Constitutional and Legal Analysis of Indonesia and Malaysia." *Juris: Jurnal Ilmiah Syariah* 24, no. 1 (2025): 111–26. https://doi.org/10.31958/juris.v24i1.14637.

Ngaini, Siti Nur, and Mahfud Sholihin. "Mauquf'alaih as a Waqf Accountability Center (Prophetic Social Approach)." *Journal of Islamic Accounting and Finance Research* 5, no. 2 (November 2023): 273–98. https://doi.org/10.21580/jiafr.2023.5.2.16070.

Orlitzky, Marc, Frank L. Schmidt, and Sara L. Rynes. *Corporate Social and Financial Performance: A Meta-Analysis*. *Organization Studies*. Vol. 24, 2003. https://doi.org/10.1177/0170840603024003910.

Pogge, Thomas, and Mitu Sengupta. "The Sustainable Development Goals: A Plan for Building a Better World?" *Journal of Global Ethics* 11, no. 1 (2015): 56–64. https://doi.org/10.1080/17449626.2015.1010656.

Rahman, Faried Kurnia, Mohammad Ali Tareq, Rochania Ayu Yunanda, and Akbariah Mahdzir. "Maqashid al-Shari'ah-Based Performance Measurement for the Halal Industry." *Humanomics* 33, no. 3 (August 14, 2017): 357–70. https://doi.org/10.1108/H-03-2017-0054.

Rezaee, Zabihollah. "Business Sustainability Research: A Theoretical and Integrated Perspective." *Journal of Accounting Literature* 36 (2016): 48–64. https://doi.org/10.1016/j.acclit.2016.05.003.

Rifqiawan, Raden Arfan, Abdul Ghofur, Ali Murtadho, Ratno Agriyanto, and Warno Warno. "Deconstruction of Basic Accounting Principles through the Values of Sufism in the Syarah Ḥikam by Sheikh Aḥmad Zarrūq." *Journal of Islamic Accounting and Finance Research* 6, no. 2 (2024): 321–53. https://doi.org/10.21580/jiafr.2024.6.2.22984.

Rusydiana, Aam S., and Irman Firmansyah. "Efficiency versus Maqashid Sharia Index: An Application on Indonesian Islamic Bank." *Shirkah: Journal of Economics and Business* 2, no. 2 (2018). https://doi.org/10.22515/shirkah.v2i2.154.

Shabir, Mohsin, Jiang Ping, Özcan Işik, and Kamran Razzaq. "Impact of Corporate Social Responsibility on Bank Performance in Emerging Markets." *International Journal of Emerging Markets*, 2024. https://doi.org/10.1108/IJOEM-02-2023-0208.

Srivastava, Anugamini Priya, and Sonal Shree. "Examining the Effect of Employee Green Involvement on Perception of Corporate Social Responsibility: Moderating Role of Green Training." *Management of Environmental Quality: An International Journal* 30, no. 1 (2019): 197–210. https://doi.org/10.1108/MEQ-03-2018-0057.

Taghian, Mehdi, Clare D'Souza, and Michael J. Polonsky. "A Stakeholder Approach to Corporate Social Responsibility, Reputation and Business Performance." *Social Responsibility Journal* 11, no. 2 (2015): 340–63. https://doi.org/10.1108/SRJ-06-2012-0068.

Thanetsunthorn, Namporn, and Rattaphon Wuthisatian. "Cultural Configuration Models: Corporate Social Responsibility and National Culture." *Management Research Review* 41, no. 10 (2018): 1137–75. https://doi.org/10.1108/MRR-08-2017-0254.

Wicaksono, Syafril, M. Khoirul Hadi Al-Asy'ari, Elisa Dourothun Nafis El-Adibah, and Iffahasanah Iffahasanah. "Maqashid Sharia Progressive: Anatomical and Transformational of Halal Institutions in UIN KHAS Jember." *El-Mashlahah* 13, no. 2 (December 31, 2023): 107–32. https://doi.org/10.23971/el-mashlahah.v13i2.7370.

Wijayanti, Rita, and Doddy Setiawan. "Social Reporting by Islamic Banks: The Role of Sharia Supervisory Board and the Effect on Firm Performance." *Sustainability (Switzerland)* 14, no. 17 (2022). https://doi.org/10.3390/su141710965.

Zawawi, Zawawi, Yuli Yasin, Muhammad Irfan Helmy, Ali Ma'yuf, and Agus Arwani. "Waqf and Sustainable Development Law: Models of Waqf Institutions in the Kingdom of Saudi Arabia and Indonesia." *Ijtihad: Jurnal*

Wacana Hukum Islam dan Kemanusiaan 23, no. 1 (July 10, 2023): 93–114. https://doi.org/10.18326/ijtihad.v23i1.93-114.

Zulfikar, Andi. "Disclosure of Isr and Gri Index on Sharia Banking in Indonesia." *Nisbah: Jurnal Perbankan Syariah* 4, no. 1 (2018): 64. https://doi.org/10.30997/jn.v4i1.1164.