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Social Performance of Islamic Banks - Theoretical and Practical Insights

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Abstract — **This study analyzes the social performance of 40 Islamic banks from 13 countries over the period 2012-2018, aiming to investigate to what extent Islamic banks around the world meet the social goals of the Islamic moral economy. As key financial institutions that operate within the framework of the Islamic moral economy, Islamic banks are expected to play and emphasize their socio-economic role in society by improving their economic, social, ethical, and environmental performance. Therefore, social performance in this paper was measured via a comprehensive evaluation framework using a maqasid index based on disclosure analysis. The main findings suggested that Islamic banks achieved 35% of the maximum index value, which indicated a room for improving their social performance. There was an encouraging fact that social performance over the observed period grew on a yearly basis. The average growth rate of social performance per year was 3.58%, which did not guarantee significant changes in a short time, but it was evident that banks made some progress in this regard over the observed period. Moreover, the highest score of Islamic banks' social performance was recorded in the category I3 ("Self") of the social performance index, which was based on the level of investment in the real sector, particularly small and medium-sized enterprises (SMEs). On the contrary, the lowest rating was registered in the category I5 ("Posterity"). An alarming fact was that Islamic banks demonstrated deficient environmental awareness and achieved low performance in this index component. Further, banks from Indonesia achieved the highest social performance. Also, to provide an easier understanding of the social performance of Islamic banks compared to the expectations of the Islamic moral economy, banks were categorized into specific categories according to a rating system similar to the CAMELS approach in conventional banking, but based on the Islamic moral economy social performance framework.**

Keywords: Islamic moral economy, Islamic banks, social performance, maqasid

I. INTRODUCTION

The concept of incorporating social responsibility into business and finance has attracted considerable attention in the last couple of decades. Notably, the global financial crisis 2007-2009 relaunched the debate on ethics in finance and banking and also spurred additional interest in research in Islamic banking, as noted by Nuhanovic & Kozarevic [1]. Socially responsible financial institutions have developed in the West to build a fairer and more sustainable society. At the same time, Islamic banking has developed to provide the Islamic world with acceptable ways of financing the development needs of society. However, Chapra [2] notes that Islamic banking "is not only interest-free but is oriented towards achieving social welfare". Theorists of the Islamic moral economy have been advocating this position practically since the development of the modern Islamic moral economy, banking, and finance. They point out that the Islamic prefix dictates ethical behaviour and commitment to social goals. According to authors such as Maali, Casson & Napier [3] and Kamla, Gallhofer & Haslam [4], the goal of the Islamic moral economy is in itself to promote human well-being, while Islamic banking is an operational form of the Islamic moral economy. This approach to banking carries an ethical identity because of its religious roots, as Haniffa & Hudaib [5] claimed. Islamic banking is dominated by the idea that Islamic banks are financial institutions oriented towards the promotion of social welfare. Therefore, Islamic banks are expected to be more socially responsible than conventional banks as noted in Haniffa & Hudaib [5]; Dusuki [6]; Warde [7]; Farook, Hassan & Lanis [8]; Aribi & Arun [9].

Some critics, however, argue that Islamic banks strive for profit as actively as conventional ones and are profit-oriented, while ethical and social goals have very little influence on the behaviour of these banks and their business practices Pollard & Samers [10]; Warde [7]; Belal, Abdelslam & Nizamee [11]. Authors in this field point out the fear that the debt-oriented culture of conventional banks inspires the strategic vision of Islamic banks. El-Gamal [12] and Khan [13] go so far as to suspect that these institutions exploit Muslim believers by selling them products that are formally in line with the principles of the Islamic moral economy but not in line with its spirit and intentions, and the question of the social impact of Islamic banks arises.

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The results of previous research works examining the social performance of Islamic banks argue that the social, ethical, and environmental performance of these banks is "unimpressive" and show a "lack of social responsibility" as concluded by Asutay & Harningtyas [14]. Also, studies in this area such as Rusydiana & Firmansyah [15]; Antonio, Sanrego & Taufiq [16]; Mergaliyev, Asutay, Avdukic & Karhbahi [17] indicate the frequent absence of the expected positive effects of these financial intermediaries on society, but also note that in these social performances, there are significant differences between the analyzed Islamic banks

Analyzing the business practices and social performance of Islamic banks some authors mentioned that possible reasons for this situation are the "conventional regulatory environment and rules" according to which Islamic banks operate, as noted by Mohammed & Taib [18]), "an early stage of development in which Islamic banking finds itself" as concluded by Warde [7], as well as many other challenges these banks face in reality, especially in terms of legal and regulatory framework, political and economic climate, including lack of human capital as noted by Hasan [19]. However, most authors who analyzed this issue concluded the obviousness of Islamic banks' poor social performance but providing no empirical evidence.

In the next chapter we will present the theory of islamic moral economy and concept of maqasid. After this, we will elaborate literature on social performance of islamic banks. Methodology will be presented in the fourth chapter, followed by results and discussion.

II. THEORETHICAL FRAMEWORK

Asutay [20] scrutinizes axioms and basic principles that define the framework for conducting economic activities based on Qur'an and Sunnah:

- *Tawhid* - the belief that God is one, therefore the purpose of man is one;
- *Adalah and Ihsan* - justice and good deeds, which are expressed in human relations;
- *Tazkiyah* - growth and development in harmony and self-purification which ultimately helps man to overcome his problems in terms of the existence of interests between the individual and society;
- *Rububiyyah* - giving a chance to attain perfection;
- *Fardh* - responsibility, obligatory actions and activities that are socially oriented;
- *Amanah*- responsibility for others;
- *Hilafah* - human responsibility towards God;
- *Ukhuwwa* - solidarity and unity for the purpose of achieving general well-being;
- *Takaful* - cooperation and interdependence with each other;
- *Maqasid* - legal and rational framework of Islamic economic activities.

Kuran [21] notes that axioms and principles of Islamic moral economy explicitly emphasize moral activities in private life but also those activities that cause harmful consequences such as throwing away waste, extravagance and immodesty in an effort to stimulate generosity, and similar harmful externalities. It follows that the *maqasid* offers a legal-rational framework within which all economic activities from the Islamic aspect should be carried out. Meeting the goals of Sharia with the intention of achieving moral results implies a systematic and dynamic understanding, which implies broad but not limited measures to ensure well-being through the implementation of justice and equality, as noted by Siddiqi [22].

In addition to Islamic axioms, Tripp [23] emphasizes that the fundamental principles of the prohibition of interest and the giving of zakat characterized through unity, consideration, and friendliness are the main instruments for achieving the goals of Islamic moral economy. However, Chapra [24] emphasizes that these principles, along with the rules of inheritance are not the only values that people need to consider in order to achieve individual good in this world but also in the future, but also the overall approach of Islamic moral economy that makes interest-free economy, social justice , equal opportunities, private ownership, moral filters in resource use, self-interest motivation, wealth creation as well as collective endeavors in both competition and cooperation (Asutay [25]; Chapra [24]) to achieve *maqasid*.

The objectives of the Islamic moral economy rely on the objectives of *Sharia*, as noted by Asutay [25]. The goals of *Sharia* are either stated directly in the *Qur'an* and the *Sunnah* or are derived by the consensus of scholars based on the *Qur'an* and the *Sunnah*. All of them deal with the reason for the existence of *Sharia* itself, which is, as almost all jurists recognize, to serve the interests of all people (*maslaha*) and to remove damage or disorder. Some lawyers consider that these are two aspects of the same goal, which is the common good.

Based on the existing literature that reflects different approaches to the goals of the Islamic moral economy, Mohammad and Shahwan [26] divided the goals of the Islamic moral economy into goals based on philosophy and operational goals. Philosophically grounded goals are those goals that are related to the inner dimension of the Islamic moral economy in general and lead to its infinite goals. Adapting the goals of the Islamic moral economy, the authors similarly divided the topics into four aspects: *caliphate*, *tawhid*, *rububiyah*, and *tazkiyah*. The *caliphate* is a state of responsibility and the role of man as His vicegerent, *tawhid* is the unity and sovereignty of *Allah*, *rububiyah* refers to the human consciousness that *Allah* is the provider and sustainer of creation, and *tezkiyah* refers to the purification of the human soul. All these four themes represent the horizontal and vertical relationship between man and *Allah,* and man and other human beings.

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One of the most widely accepted classifications of *maqasid* is from Al-Ghazali, a prominent and highly esteemed reformer who lived in the fifth century AH, classified the *maqasid* (i.e., the goals of the Islamic moral economy) into five main categories stating that the very purpose of *Sharia* is to promote the welfare of the people, which consists in protecting their religion (*dīn*), their life (*nafs*), their intellect (*'aql*), their offspring (*nasl*), and their wealth (*māl*). Anything that ensures the protection of these categories serves the public interest and is desirable, and anything that violates them is against the public interest and it is desirable to remove it.

In his research works, the great Islamic scholar Abu Ishaq al-Shatibi confirmed al-Ghazali's position on the five protected values, as noted by Al-Raisuni [27]. These, however, are not the only values or goals. There are other values that the *Qur'an* and the *Sunnah* point to. Thus, while these five can be considered primary, other goals or values can be consequential or secondary. The realization of secondary goals is necessary because the primary goal cannot be achieved without realizing secondary goals. It is also important to point out that although "preservation" or "protection" is used, it does not mean preserving the status quo but rather developing these values.

According to Karcic [28], we can conclude that although most scholars generally accept these five values in the field of Islamic jurisprudence (*fiqh*) and *Sharia* science as universal, not all scholars have always adhered to the list of these five, and some have added additional ones (for example, honour). Even al-Shatibi did not always adhere to only the five categories mentioned, which means that even the listed universal values are "living matter". Therefore, it is necessary to strive for continuous enrichment of primary values and their consequences so that well-being is continuously improved following the changing needs of individuals and their society and humanity, thus enabling everyone to continue on the path to a better future. Such enrichment may be challenging if we stick to the framework of only the needs discussed by the classical ulema. Times have changed and needs have also changed.

Najjar [29] extended the *maqasid* based on four objectives and eight corollaries, as identified by Bedoui and Mansour [30], providing a framework for assessing the social performance of Islamic banks. The framework was used by several studies such as Asutay and Harningtyas [14] and Mergaliyev, Asutay, Avdukic & Karbhari [17], who used that framework referring to it as "invigoration" rather than "safeguarding" as part of Chapra's [31] redefinition of *maqasid*. Through such a reinterpretation and extended maqasid as a dynamic construct beyond a safeguarding role, an embedded Islamic moral economy frame is constituted for the Islamic banks to operate within, as noted by Asutay & Yilmaz [32].

III. LITERATURE REVIEW

Different authors used different methods and terminology when trying to evaluate some aspects of the operations of Islamic banks, usually criticizing them for disbalance between Islamic banking theory and practice. Also, more studies are attempting to develop a *maqasid* measurement methodology and just a few of them measuring the Islamic banks' social, ethical or environmental performance. Aggarwal and Yousef [33], Hasan [34], and Nagaoka [35] were among the first to note that Islamic banks rarely provide long-term financing to start-ups that need capital. The first researchers who expressed the need to assess the performance of Islamic financial institutions concerning their social goals were Hasan [19] and Tag el-Din [36]. Hasan [19] highlighted the essential criteria, methods, and procedures usually used to assess the performance of Islamic banks, however mostly ignoring the primary purpose of these institutions and their accountability to society under the principles of the Islamic moral economy.

In a pioneering work, Mohammed, Dzuljastri & Fauziah [37] used a new approach to measuring the performance of Islamic banks based on the goals of the Islamic moral economy and they were the first who used the term "*maqasid* index" as an indicator of such performance. The study went through three phases in the development of this index. The authors refered to the Sekaran [38] method for operationalizing the theory, which resulted in performance measures. Furthermore, they asked 16 experts to decide on the relative importance of the measures developed, which resulted in average weights for each measure. Finally, they applied Hwang and Yoon's [39] method for simple weighting. This phase was conducted to quantify the ratios of sample performance and the weight assigned to targets and the developed variables. The study examined the social performance of six large Islamic banks globally and ranked them according to the results.

Asutay [40] pointed out that the transformation of the original form of Islamic banking into purely commercial Islamic banking resulted in incredible financial success but to the detriment of the Islamic moral economy's social and economic development aspirations. Therefore, the mentioned article sought to investigate the social failure of Islamic banks and other financial institutions and identify the main reasons for this failure. The critical analysis led to the realization that Islamic financial institutions compromised Islamic values and trends in "financialization" and financial engineering. Based on the growing number of authors who confirmed the gap between the practice of Islamic banks and the aspirations of the Islamic economy, it could be determined that Islamic banking failed to achieve the goals of the Islamic economy. The author concluded that Islamic banks did not significantly affect the development of the economy and that social impact was not among the objectives of these banks. Asutay, therefore, proposed the establishment of particular institutions that would bear the burden of economic development and that would be resistant to the trend of "financialization" that gripped commercial Islamic financial

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institutions. Thus, the debate in recent years has been on "form versus essence" or *Sharia*-compliant financing versus Islamic-based finance, which calls into question the overall legitimacy of the current practice of Islamic finance and banking.

Asutay and Harningtyas [14] measured the social performance of Islamic banks in the light of the goals of the Islamic moral economy by Najjar [29], with eight basic orientations and associated elements. The sample consisted of 13 Islamic banks from six countries over the period 2008-2012. The results showed that the Islamic banks in the sample mainly focused on people, religion and rights, and less on wealth as dimensions of the goals of the Islamic moral economy. Empirical evidence pointed to poor achievement of the social goals of the Islamic banks.

In their paper, Ngalim and Ismail [41] proposed indicators of development in achieving social well-being based on the goals of the Islamic moral economy formulated by Chapra [31]. The empirical analysis was based on annual reports of 20 Islamic banks from Malaysia, Indonesia and the Gulf Cooperation Council (GCC) countries, and showed that the best performance was achieved by the Islamic banks from Indonesia. As far as social performance is concerned, empirical results from these regions showed that most Islamic banks still did not meet the goals of the Islamic moral economy.

Alamer, Salamon, Qureshi & Rasli [42] proposed the development of an index of socially responsible practices of Islamic banks through a review of bank activities in two dimensions - processes and outcomes, taking rationale for such a division from the Islamic categorization of illegal acts. Authors focused on a process-based approach, observing processes through following aspects: charity, environment, human resources, investment and risk sharing, research, and development. They further focused on investments and believed that the index that measured the socially responsible activities of Islamic banks should focus on whether and to what extent Islamic banks used *musharaka* and *mudaraba* in their activities.

Bedoui [43] developed a five-dimensional metric for measuring ethical performance based on the definition of sustainable development. These metrics were then generalized using the goals of the Islamic moral economy previously explained in the model by Bedoui [44] and Bedoui and Mansour [30]. Authors claimed that such a system ensured that each firm or organization ethically promoted human well-being, prevented corruption, and improved social and economic stability rather than simply maximizing its performance in terms of financial returns. This measurement of ethical performance ensured that a firm or organization that aggressively forced financial results at the expense of ethical aspects of business was poorly evaluated.

Mergaliyev, Asutay, Avdukic & Karbhari [17] used an enhanced approach to the theoretical framework of Islamic moral economy goals in assessing Islamic banks' ethical, social, environmental, and financial performance. A panel analysis using several key determinants, along with the political and socio-economic environment, ownership structures, and factors related to corporate and *Sharia* governance, was used to identify the main determinants of the social performance of Islamic banks. Through a panel analysis, this paper revealed that the share of the Muslim population, the duality of the CEO and *Sharia* governance were variables that positively affected the social performance of Islamic banks. However, the results indicated a negative impact of the country's GDP, financial and human development index, political and civil rights, institutional ownership, and a higher share of independent directors in general on the social performance of Islamic banks.

Hudaefi and Noordin [45] also pointed out that Islamic and conventional banks could not be compared using conventional performance measures, and in their research, they developed a model for measuring the performance of Islamic banks, taking into account a number of studies from this field. These included the Islamicity disclosure index, IDI, and the Islamic quantitative index, IQI (Hameed, Wirman, Alrazi, Nazli & Pramono [46], the ethical identity index, EII (Haniffa & Hudaib [5]), the maqasid al-Shariʿah index, MSI proposed by Mohammed, Dzuljastri & Fauziah [37], adaptation of Bedoui's [44] approach, social performance evaluation as proposed by Sairally [47]; Asutay & Harningtyas [14], Islamicity measurement - measuring how Islamic banks are truly Islamic by Ascarya & Sukmana [48], as well as the *Shariʿah* compliance rating proposed by Ashraf & Lahsasna [49].

Alhammadi, Alotaibi & Hakam [50] investigated the success of Islamic banking based on the higher ethical goals of the Islamic moral economy. They firstly considered the importance of ethical and social dimensions for banks in general. The authors examined whether Islamic banks achieved socio-economic justice and demonstrated best practices by ensuring social well-being. The authors also analyzed Islamic banks' ethical and social performance based on an index that highlighted bank disclosures related to education, social justice, and wealth redistribution. Empirical evidence suggested that conventional performance measurements no longer reflected the ethical goals of Islamic banks and that they negatively affected the achievement of social well-being by these banks. The result revealed financial cost of achieving the goals of the Islamic moral economy, as Islamic banks that achieved high scores for the social performance index sacrificed financial performance. This supported the view that Islamic banks prefered financial returns over their ethical and social impact.

Biancone, Saiti, Petricean & Chmet [51] as well as Bollani & Chmet [52] recognize that ethicality of the finance and the banks is often placed in second place even in the case of academic research in the field of islamic banking.

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IV. METHODOLOGY

When it comes to the methodology of empirical part of this research, it was used a balanced panel of annual data for 40 banks from 13 countries, covering period from 2012 to 2018. The criteria for composing the sample was the availability of the data, and the pool of Islamic banks that published annual reports with necessary data for the period given was almost exhausted. Among the countries covered, there were two countries from Europe (the United Kingdom and Bosnia and Herzegovina), five countries from Asia (Pakistan, Bangladesh, Malaysia, Indonesia, and Sri Lanka), and six countries from the Middle East (Jordan, Kuwait, Bahrain, the United Arab Emirates, the Kingdom of Saudi Arabia, and Qatar).

An evident difference in Islamic finance practice and ethical and social goals of the Islamic moral economy was the motivation for the counducted research. Therefore, the purpose of this paper is to investigate the social performance of Islamic banks under the Islamic moral economy's *maqasid* framework.

Social performance was measured via an index based on the theory of the Islamic moral economy previously developed by Asutay and Harningtyas [14] and further enhanced by Mergaliyev, Asutay, Avdukic & Karbhari [17].

In constructing a framework for evaluating the social performance of Islamic banks, Najjar's model of Islamic moral economy goals was implemented through four goals and eight areas, according to Mohammed, Dzuljastri & Fauziah [37], which was further refined by Bedoui & Mansour [37], Asutay & Herningtyas [14], and Mergaliyev, Asutay, Avdukic & Karbhari [17]. Dimensions, elements, and indicators were distributed to each relevant area according to a critical assessment of the above frameworks.

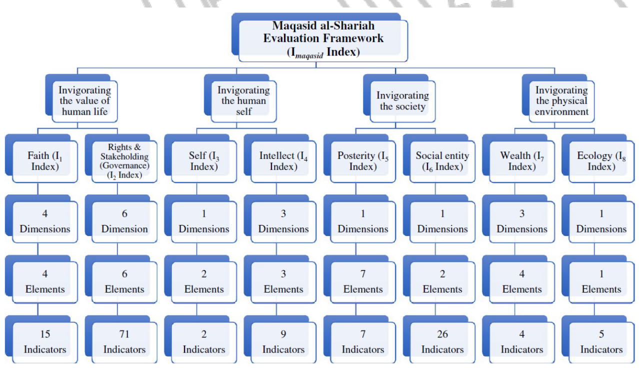

Figure 1. *Maqasid evaluation framework*

Source: Authors' research adapted from Mergaliyev, Asutay, Avdukic & Karbhari [17]; Mohammed, Dzuljastri & Fauziah [37]; Bedoui & Mansour [30]; Asutay and Harningtyas [14]

The concept of dimensions, elements, and indicators was adopted from Mohammed, Dzuljastri & Fauziah [37] to measure general objectives by deriving them into some specific indicators. Therefore, the framework for the general evaluation can be shown as done in Figure 1.

Through content analysis, a social performance index was constructed and used to measure the social performance of Islamic banks. A weighted approach was used during index calculation to avoid any possible bias in scoring, according to Antonio, Sanrego & Taufiq [16], while researchers such as Belal, Abdelslam & Nizamee [11] and Haniffa & Hudaib [5] applied an unweighted approach. In calculating the social performance index with all its sub-indices, according to Haniffa & Hudaib [5], the dichotomous approach was mainly used in the sense that the item received a rating of "1" if found in the annual report and "0" (zero) if it could not be found in the annual report. However, some sub-indices also considered quantitative data from the banks' financial statements, especially concerning categories I3, I5, and I7. Indicators from categories I5 and I7 were scaled for the values to be in the range of 0 to 1. The linear scale transformation (LST) method was applied according to Singh, Murty, Gupta & Dikshit [53], who specifically addressed the methodologies for estimating sustainability indices consisting of their sub-indices.

V. RESULTS

The results of this study are consistent with the results of similar studies on smaller samples, confirming the mentioned gap between the Islamic moral economy's expectations and Islamic banks' practice. The overall social performance of the Islamic banks for the period 2012-2018 averaged 0.3580, or 35.80%, compared to the expectations of the Islamic moral economy.

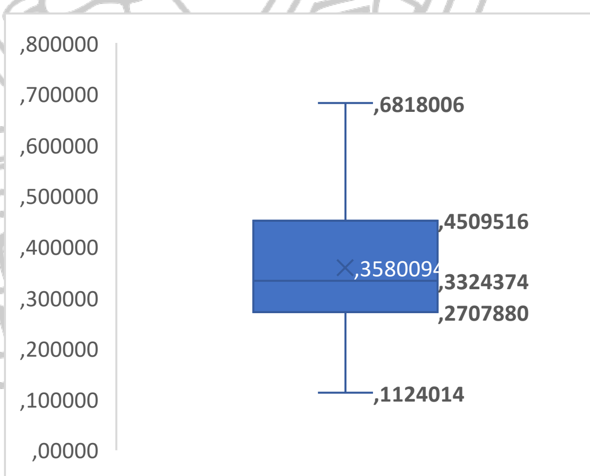

Figure 2. *Islamic social performance indicator*

Source: Authors' research

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As shown in Table 1, Hong Leong Islamic Bank BHD (Malaysia) had the maximum value of social performance index in one year, i.e., 2018 (the value of social performance was 0.6818 or 68.18%), while the Islamic Bank of Britain (today Al Rayan Bank PLC) achieved the minimum value of social performance index in the year 2012 (0.1224 or 11.24%). Islamic Bank of Britain operated in a conventional environment with underdeveloped regulations, competing with large banking groups operating in the United Kongdom for decades (or even hundreds of years). Although this bank improved its score in the last two observed years, after it was acquired, it was one of the proofs that Islamic banks did not have equal status in areas where the conventional financial system was highly developed and where they had to deal with large and well-established banks. On the other hand, Hong Leong Islamic Bank BHD is an example of results where the government of a country made significant effort to develop regulations and encourage the development of the Islamic financial system, but also forcing the goals of the Islamic moral economy, as Hassan & Nor [54] pointed out.

The presented score is relatively low compared to theoretical expectations, but the results are consistent with other studies conducted on smaller samples. Regarding the assessment of the actual social performance of Islamic banks, many empirical studies have provided evidence that, although Islamic banks achieve significant financial performance, they have poor performance in the ethical and social dimensions required by the Islamic moral economy. Asutay [40] concluded that, based on his empirical research, it could be argued that “social failure” of Islamic banking exists due to their transition from the Islamic moral economy goals based on risk-sharing to the neoclassical goal of financial performance as the primary goal of Islamic banks.

Only four Islamic banks, as can be seen from Table 1, had an average social performance index in the period 2012-2018 higher than 0.5 (or 50%). However, the social performance index was growing year-on-year; more precisely, while in 2012 only two banks had the index greater than 0.5, in 2018 the number was seven banks. Such a low social performance index supports the conclusions reached by Asutay [40]. Furthermore, from 2012 to 2018, 36 analyzed banks achieved a positive change in social performance, whilst four banks had a negative trend.

The paradigm of the Islamic moral economy provides guidelines for social responsibility of Islamic economic entities towards society and expands them through expectations based on the goals of the Islamic moral economy. However, according to several empirical studies to date, Islamic banks have failed in their social responsibility practice. For example, Sairally [47], Haniffa & Hudaib [5], Platonova [55], Belal, Abdelslam & Nizamee [11], as well as Mergaliyev, Asutay, Avdukic & Karbhari [17], found that most Islamic banks carry out only some charitable activities without a systematic approach to social responsibility. Thus, social performance is a weak area in the overall performance of Islamic banks, indicating a discrepancy with the goals defined by the Islamic moral economy.

Based on this empirical evidence, it can be concluded that Islamic banks do not meet the expectations of the Islamic moral economy but also Muslims in general, which was previously also stated by El-Gamal [12], who concluded that “Islamic finance has often failed to serve the economic purpose for which certain premodern contract structures were codified in classical jurisprudence”. Therefore, Mergaliyev, Asutay, Avdukic & Karbhari [17] pointed out that it is crucial to develop an empirical framework based on the goals of the Islamic moral economy in order to test the observed shortcomings in the ethical and social performance of Islamic banks in the context of those goals, even beyond the standard five.

Categorization of social performance

In order to categorize the compliance of the operations of the Islamic banks with the expectations of the Islamic moral economy and to categorize these banks into specific categories, for this research, a rating system based on the CAMELS rating system in banks was created, according to Barr, Killgo, Siems, & Zimmel [56] and Hays, De Lurgio & Gilbert [57]. Although authors in the field of Islamic finance such as Adib, Nabiha & Khalid [58] and Hameed, Wirman, Alrazi, Nazli & Pramono [59] criticized the CAMELS system because it emphasizes financial indicators, in our case we used only the categorization of the CAMELS system on indicators based on the theory of Islamic moral economy (see Table 2).

Following this categorization and the results of the index of social performance of Islamic banks, we can conclude that Islamic banks in the observed period only partially met the expectations of the Islamic moral economy, i.e., most of them were “marginally aligned” with the Islamic moral economy principles. However, the trend is positive, and this score is moving towards “fair compliance”.

Table 2. *The rating system of Islamic banks in accordance with maqasid*

Score	Compliance with maqasid
80-100%	Strong compliance
60-79%	Satisfactory compliance
40-59%	Fair compliance, with space for improvement of some categories
20-39%	Marginal compliance, with a certain risk of non-compliance
0-19%	Unsatisfactory, with a high risk of non-compliance

Source: Authors' creation

An encouraging fact was that most banks' social performance index in the observed period grew from year to year. The average growth rate of social performance index was 3.58%, which did not promise significant changes in a short time, but it was evident that banks progressed during the observed period. The lowest individual score of social performance that any of the banks had during the analyzed period was 0.1224 (Islamic Bank of Britain in 2012), while the highest score of one bank was 0.6818 (Hong Leong

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Islamic Bank BHD in 2018). With its value-based intermediation approach, Malaysia has made a significant breakthrough in the social performance of the Islamic banks operating in this country.

As Figure 3 illustrates, the Islamic banks were on average in the higher part of the "marginal compliance" category and, if this trend continues, in the coming years they could move to the "fair compliance" category, the medium category in the rating system of Islamic banks explained in Table 2.

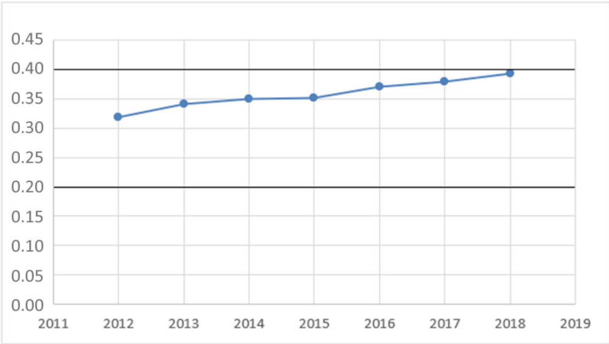

Figure 3. *Social performance index of the Islamic banks over the period 2012-2018*

Source: Authors' research

Social performance by the objectives of Islamic moral economy

The highest score of the Islamic banks' social performance was recorded in the category I3 ("Self"), based on the level of investment in the real sector, SMEs in particular (Figure 4). This fact is in line with Mergaliyev, Asutay, Avdukic & Karbhari [17]results, provided that the mentioned authors did not scale the value of components I5 ("Posterity") and I7 ("Wealth").

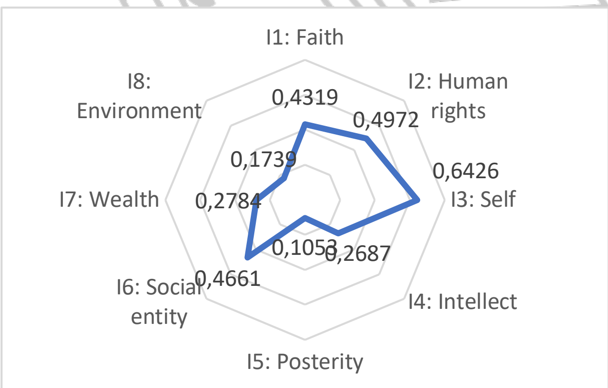

Figure 4. *Social performance by the objectives of Islamic moral economy*

Source: Authors' research adapted from Bedoui [44]; Asutay & Herningtyas [14]

If we observe individual index components under the previously presented ranking system (Table 3), we can conclude that only component I3 ("Self") had a satisfactory consistency. Components I2 ("Human rights"), I6 ("Social entity"), and I1 ("Faith") had fair compliance. Furtheermore, components I7 ("Wealth") and I4 ("Intellect") had marginal alignment, while I8 ("Environment") and I5 ("Posterity") had unsatisfactory alignment.

Table 3. *Assessment of the banks' compliance by index components*

Objective	Score	Descriptive assessment
I3: Self	0.642608	Satisfactory compliance
I2: Human rights	0.497198	Fair compliance, with space for improvement
I6: Social entity	0.466108	Fair compliance, with space for improvement
I1: Faith	0.431853	Fair compliance, with space for improvement
I7: Wealth	0.278447	Marginal compliance, with risks of non-compliance
I4: Intellect	0.268671	Marginal compliance, with risks of non-compliance
I8: Environment	0.173857	Unsatisfactory compliance
I5: Posterity	0.105333	Unsatisfactory compliance

Source: Authors' research

As far as the component I3 ("Self") is concerned, it implies investments of Islamic banks in the real sector, particularly SMEs. As the research results shown in Table 3, as well as Table 4, indicate on, it was the strongest in the social performance index and recorded an average score of 0.6426. Most analyzed Islamic banks in this area had a very high score because they had to finance halal projects exclusively with a specific fundamental basis behind them. Generally speaking, an Islamic bank cannot just borrow money like a conventional one, it either invests or trades, or rents, some tangible assets, so almost all Islamic bank financing is appropriate for this index component.

Further, the component I2 ("Human rights") consists of the most significant number of indicators compared to other components, i.e., more than half of the total number of indicators (139). This component primarily deals with corporate governance. It can be concluded that corporate governance in most analyzed Islamic banks was appropriate, with some potential for improvement. There is potential for improvement in evaluating the work of the bank's board, the relationship between the audit committee and the bank's management, the strategic role of the *Sharia* committee and the audit committee, as well as equal opportunities policies for employees and potential employees (for example, employment policy in some GCC banks favours domestic candidates). Moreover, the general situation with human rights, the share of women in committees and the like can be significantly improved in most analyzed Islamic banks.

Like the component I2, the component I6 ("Social entity") was in the "fair compliance" segment. Most banks in this segment achieved a good result in sponsoring community

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activities, commitment to social role and economic development, and offered lists and reports on realized charitable activities. Banks were generally not active in the art sponsorship segment, and many also did not offer *qard hassan* (i.e., loans with no cost and additional fees) or at least did not disclose this. Banks may avoid talking publicly about *qard hassan* mechanism because, in that case, they may face an increased number of requests for such (unprofitable) products. Most analyzed banks (67%) payed zakat and published the amount paid for zakat, while some banks handed these activities over to the owners.

The component I1 ("Faith") was also in the "fair compliance" category with potential for improvement. The analyzed banks had a high score in committing to operate under *Sharia* principles, operating exclusively within the permitted investments and financing models. Approximately 45% of the Islamic banks published how they treated illegal transactions, but only 27% published whether such transactions took place, while an even smaller percentage (20%) of those explained what the transactions were and the reasons for doing so. Principally, the only correct way to treat non-compliant transactions is for the proceeds to go to a separate charity account/sub-account.

When it comes to the component I7 ("Wealth"), as well as the component I4 ("Intellect"), it was "marginally compliant, with risks of non-compliance". Regarding I7, many banks did not have profit equalization reserves (PER), probably because they did not even have real investment accounts based on *mudaraba*, since *wakala* was a "safer" choice and more similar to conventional deposits. As far as ROA and ROE are concerned, Islamic banks traditionally do not have high values of such indicators. In this research, Altman's Z-score was an indicator that significantly influenced the increase in the total value of I7, which was the reason why I7 was one of the variables that had to be scaled to a value between 0 (zero) and 1 (originally, the minimum value of I7 before scaling was -11.0329, while the maximum value was 49.6030; mainly thanks to the Z-score which had high values, e.g., 57.1609 in the case of Jordan in 2018).

Regarding the component I4 ("Intellect"), more than half of analyzed Islamic banks provided specific scholarships for students, and they were also active at conferences in Islamic economics and banking. However, only few of them published data on research and development costs, public relations costs, and employee training costs. They were also very rarely involved in art-related activities, which were the reasons for the relatively low score in this area.

The analyzed Islamic banks had "unsatisfactory compliance" in the field of I8 ("Environment") and I5 ("Posterity"). It was evident that the Islamic banks did not publish much environmental policy information or, more likely, did not have it. This discovery is in line with the results obtained by Hassan & Harahap [60], who emphasized that it was surprising how little attention Islamic banks payed to the issue of the environment. Unlike analyzed Islamic banks, which mostly come from countries where these issues are not regulated, many banks in Europe have high standards in environmental policy and are certainly ahead of the Islamic banks.

According to this research, component I5 ("Posterity") was the weakest in the social performance index and recorded an average score of 0.1053. In general, this component includes employee costs, taxes, dividends, depositors' deposits, *zakat*, *waqf*, and *sadaqah*/charity concerning net income. Some of the analyzed banks did not pay dividends and an even smaller number of them payed *zakat*, while there were almost no bank that invested in an endowment. Also, there were cases when banks made a negative profit (loss), and in these cases, the I5 component had a negative sign. However, it was scaled to the range from 0 (zero) to 1, achieving a meagre value (i.e., close to zero).

Table 4. *Descriptive statistics by index components*

	I1	I2	I3	I4	I5	I6	I7	I8
Mean	0.43	0.49	0.64	0.26	0.10	0.46	0.27	0.17
Standard error	0.01	0.01	0.01	0.01	0.00	0.01	0.00	0.01
Median	0.40	0.51	0.60	0.22	0.08	0.46	0.25	0.10
Mode	0.40	0.48	1.00	0.22	0.08	0.46	0.25	0.00
Standard deviation	0.20	0.16	0.25	0.20	0.08	0.21	0.12	0.24
Sample variance	0.04	0.02	0.06	0.04	0.00	0.04	0.01	0.05
Kurtosis	-0.21	-0.24	-1.22	0.83	56.38	-0.69	23.21	1.45
Skewness	0.55	0.06	0.07	0.89	5.90	-0.15	4.42	1.51
Range	0.86	0.75	0.89	0.88	1.00	0.88	1.00	1.00
Minimum	0.10	0.12	0.10	0.00	0.00	0.00	0.00	0.00
Maximum	0.96	0.88	1.00	0.88	1.00	0.88	1.00	1.00
Count	280	280	280	280	280	280	280	280

Source: Authors' research

VI. DISCUSSION

This research comes with a general conclusion that Islamic banks in the sample achieve only 35% of the goals of the Islamic moral economy, which corresponds to the results of Ngalim & Ismail [41] and Asutay and Harningtyas [14], who concluded on a smaller sample of 13 Islamic banks that there are shortcomings in achieving their social goals. In principle, there is almost a consensus of researchers that Islamic banks do not achieve the goals of the Islamic moral economy, while this research considers the largest number of Islamic banks and represents research at the global level. Aggarwal & Yousef [33], Hasan [61], and Nagaoka [35] previously noted that Islamic banks rarely provide long-term financing to start-ups that need capital, and it is precisely the financing of start-ups and SMEs, which was one of the indicators in the methodology the authors used in this research. Although most of the analyzed banks provided financing for start-ups, the share of such financing (by number and by amount) was negligible. According to Abedifar, Molyneux & Tarazi [62], banks try to justify this

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shortcoming with the high level of moral hazard presented on the market, but Islamic banks generally have less justification than conventional banks for this indicator because they should also have mechanisms for investing in venture capital. However, profit-sharing financing representation in the assets of Islamic banks, according to the Islamic Financial Services Board [63], is around 5%. Kozarevic, Nuhanovic and Nurikic [64] noted that Islamic banks face particular types of risks that conventional banks do not have to take into account. Therefore, the risk itself might be the reason for avoiding risk-sharing modes of financing in islamic banking practice. Mohammed & Shahwan [26] highlighted that risk and profit-sharing are critical characteristics of Islamic banks, which distance them from conventional financial institutions and bring about positive qualitative changes in the economic system. If the trend of preference of debt models and instruments by Islamic banks continues, they will find themselves in a situation where the difference between Islamic and conventional banks is negligible, as Al-Amine [65] already warned.

The results of this research revealed that Islamic banks mainly focus on "Self", "Faith", and "Human rights" as dimensions of the goals of the Islamic moral economy (or *maqasid*). These findings are consistent with Asutay and Harningtyas [14]. However, the findings are contrary to Mergaliyev, Asutay, Avdukic & Karbhari [17], who found that the most significant focus of Islamic banks is on the preservation of assets, i.e., making a profit. Moreover, Alhammadi, Alotaibi & Hakam [50] found financial cost of achieving the goals of the Islamic moral economy because Islamic banks that achieved high scores for the social performance index sacrificed financial performance. Therefore, there is trade-off between financial and social performance (although further research is needed), and Islamic banks have not previously had social performance in their goals and have not paid enough attention to them. This needs to be changed in the future. The country whose Islamic banks are most successful when it comes to social performance is Indonesia, as Antonio, Sanrego & Taufiq [16], and Ngalim & Ismail [41] found. The above mentioned trade off is not very straightforward, as customers often recognize social role of organizatons, as noted by Biancone, Secinaro, Brescia & Iannaci [66] noted that customers/clients often recognize social role of organizations, while Iannaci and Jonathan [67] concluded that this social role of islamic financial institutions can contribute to restarting the process of social innovation.

VII. CONCLUDING REMARKS

This research is motivated precisely by the suspicion of differences between the theory of the Islamic moral economy and the practice of Islamic banks, i.e., by the empirical confirmation of these differences and determining the determinants of these social performance, with a particular focus on external determinants. Many researchers have previously criticized the practices of Islamic banks without explicit empirical confirmation of these differences. Also, most research has been done on a sample from one or several countries, and identifying determinants of social performance from the environment was not possible under these conditions.

The level of social performance was measured by an index based on the theory of the Islamic moral economy, the value of which is derived from the annual reports of Islamic banks, based on qualitative and quantitative data. This index follows the goals of the Islamic moral economy following the works of classical authors in Islamic law, which contemporary authors took over in the field of Islamic moral economy. It must be acknowledged that these universal values are also "living matter", which can be adapted according to the circumstances. The methodology used in the research is the most detailed and demanding method applied so far to measure the social performance of Islamic banks, with 139 individual indicators (qualitative and quantitative), which needed to be assessed based on the analysis of the content of annual reports.

The backbone of the theoretical framework of the research is the theory of the Islamic moral economy. This study, therefore, represents a coherent study in the field of the Islamic moral economy on a global sample of Islamic banks, according to suggestion by Biancone & Secinaro [68] who suggested that such phenomenon should be investigated at the global level.

The services provided by Islamic banks may look similar to those of conventional banks, but the models they use to mobilize and place funds are different. Generally speaking, the purpose of Islamic banks is to serve society and ensure fairness to all parties. However, if an Islamic bank uses models of Islamic banking without considering the *maqasid*, , it in principle has no particular impact on society (compared to conventional banks) and does not serve its purpose. The crux of the issue is that Islamic banks have adopted mainly those models that are structurally similar to conventional financing models, while initially, Islamic models, based on risk and profit-sharing, have been neglected.

Without intention to repeat the details that were elaborated earlier in the result and discussion sections concerning the results of other research, it is necessary to highlight that Islamic banks, according to this research, achieve only 35% of the goals of the Islamic moral economy. The specificity of this research on the social performance of Islamic banks is that it was done on a larger sample and using a more robust methodology than others, while most other authors viewed the operations of banks from only one aspect (e.g., used financing models). Moreover, the social performance analysis results suggest that Islamic banks mainly focus on people, religion, and rights as dimensions of the goals of the Islamic moral economy. Such performance of Islamic banks globally can be described as "marginally compliant" with the expectations of the Islamic moral economy.

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Appendix: List of Indicators of Maqasid Performance of IBFIs based on Najjar's Maqasid Framework

No	Key Objectives	Consequences	No	Dimension	Elements	Source:	Indicator/Disclosure Aspect
A	Safeguarding the value of human life	1. Faith	1	PLS products	Functional Distribution	Mohammed, Dzuljastri & Fauziah [37]	Mudharabah and Musharakah Modes/Total Investment Modes
			2	Elimination of negative elements that breed injustices	Interest free Product	Mohammed, Dzuljastri & Fauziah [37]	Interest free income/total revenue
			3	1.Underlying Philosophy and Values	Vision and Mission	Haniffa & Hudaib [5]	i. Commitments in operating within Shari'ah principles/ideals

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					Statement Disclosure	Haniffa & Hudaib [5]	ii. Commitments in providing returns within Shari'ah principles
						Haniffa & Hudaib [5]	iii. Focus on maximising stakeholders returns or values
						Haniffa & Hudaib [5]	iv. Directions in serving the needs of Muslim community
						Haniffa & Hudaib [5]	v. Commitments to engage only in permissible investment activities
						Haniffa & Hudaib [5]	vi. Commitments to engage only in permissible financing activities
						Haniffa & Hudaib [5]	vii. Commitments to fulfil contracts via 'contract (uqud) statement'
						Haniffa & Hudaib [5]	viii. Appreciation to shareholders and customers
			4	2 & 3. Interest-free and Islamically Acceptable Deals - Shari'ah Section in AR	Shari'ah Report on financial transactions	Haniffa & Hudaib [5]	Disclosure of any unlawful transactions
						Haniffa & Hudaib [5]	Description of unlawful transactions
						Haniffa & Hudaib [5]	Disclosure of how gains from such activities have been handled
						Belal et at. (2014)	Disclosure of reasons for undertaking unlawful transactions
						Belal et at. (2014)	Opinion of SSB regarding necessity of undertaking unlawful transactions
		2. Rights & Stakeholding	5	2 & 3. Interest-free and Islamically Acceptable Deals - Product Aspects	Employees	Haniffa & Hudaib [5]	i. Employees appreciation
						Haniffa & Hudaib [5]	ii. Number of employees
						Haniffa & Hudaib [5]	iii. Equal opportunities policy
						Haniffa & Hudaib [5]	iv. Employees welfare
						Haniffa & Hudaib [5]	vi. Training: Other
						Haniffa & Hudaib [5]	vii. Training: Student/recruitment scheme
						Haniffa & Hudaib [5]	ix. Reward for employees
			6	Corporate Governance Indicator (Fairness and Transparency) - general aspects	1 IFSB Guiding Principles for Corporate Governance	Belal, Abdelslam & Nizamee [11]	Strategic role and function of the Board of Directors
						Belal, Abdelslam & Nizamee [11]	Strategic role and function of Executive Management
						Belal, Abdelslam & Nizamee [11]	Strategic role and function of Internal auditors
						Belal, Abdelslam & Nizamee [11]	Strategic role and function of external auditors
						Belal, Abdelslam & Nizamee [11]	Strategic role and function of SSB
						Belal, Abdelslam & Nizamee [11]	Mechanisms for balancing the accountability of the above organs
						Belal, Abdelslam & Nizamee [11]	Does the organisation comply with internationally recognised corporate governance standards
						Belal, Abdelslam & Nizamee [11]	Has the Board of Directors (BOD) set up a governance policy framework
						Belal, Abdelslam & Nizamee [11]	Has the Board of Directors set up a Governance Committee
						Belal, Abdelslam & Nizamee [11]	Does the Governance Committee include a member of the Audit Committee

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				Belal, Abdelslam & Nizamee [11]	Does the Governance Committee include a member of the SSB
				Belal, Abdelslam & Nizamee [11]	Does the Governance Committee provide the BOD with reports and recommendations based on findings
				Belal, Abdelslam & Nizamee [11]	Does the role of the Governance Committee overlap with the role of the Audit Committee
	7	Corporate Governance Indicator (Fairness and Transparency) - BOD aspects	BOD (Composition, Appointment and Re-appointment, Board meetings, and Director's fees and remuneration)	Belal, Abdelslam & Nizamee [11], Haniffa & Hudaib [5]	Names of board members
				Belal, Abdelslam & Nizamee [11], Haniffa & Hudaib [5]	Positions of board members
				Belal, Abdelslam & Nizamee [11], Haniffa & Hudaib [5]	Pictures of board members
				Belal, Abdelslam & Nizamee [11], Haniffa & Hudaib [5]	Profile of board members
				UK CGC (FRC, 2014)	Does Board composition is diverse?
				UK CGC (FRC, 2014)	Number of meetings by BoD (if more than 4=1, if no = 0)
				UK CGC (FRC, 2014), Principles for enhancing corporate governance (Basel Committee, 2010)	Does the board stated in the annual report how performance evaluation of the board, its committees and its individual directors has been conducted?
				OECD (2004)	In case of Capital structures and arrangements that enable certain shareholders to obtain a degree of control disproportionate to their equity ownership should be disclosed.
		Corporate Governance Indicator (Fairness and Transparency) - Executive Management aspects	Executive Management	Belal, Abdelslam & Nizamee [11], Haniffa & Hudaib [5]	Names of management team
				Belal, Abdelslam & Nizamee [11], Haniffa & Hudaib [5]	Positions of management team
				Belal, Abdelslam & Nizamee [11], Haniffa & Hudaib [5]	Picture of management team
				Belal, Abdelslam & Nizamee [11], Haniffa & Hudaib [5]	Profile of management team
				Principles for enhancing corporate governance (Basel Committee, 2010)	Are key management decisionse made by more than one person ("four eyes principle") - Is any Management Board?
		Corporate Governance Indicator (Fairness and Transparency) - Committees aspects	Audit, Remuneration and Nomination Committee	OECD (2004), UK CGC (FRC, 2014), FSF Principles for Sound Compensation Practices (FSF, 2009)	Is remuneration policy for members of the board and key executives disclosed?
				UK CGC (FRC, 2014)	Is there a Remuneration committee?

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					UK CGC (FRC, 2014)	Does a Remuneration committee consist of at least 3 independent non-executive directors?
					UK CGC (FRC, 2014)	Is the remuneration committee meeting at least 4 times per year?
					FSF Principles for Sound Compensation Practices (FSF, 2009)	Does the remuneration committee or BoD periodically supervise and review compensation schemes in the firm?
					Clarkson et al. (2006)	Are other types of remuneration of executives disclosed?
					OECD (2004)	Are selection and nomination processes disclosed?
					UK CGC (FRC, 2014)	Is there a Nomination committee?
					UK CGC (FRC, 2014)	Is the majority of members of a Nomination committee independent non-executives?
					Hameed et al. (2004)	f. There is an audit committee
					Hameed et al. (2004)	g. The Audit Committee consists of at least three non-executive directors, whom a majority are independent
					Hameed et al. (2004)	h. Audit committee includes someone with expertise in accounting
					Hameed et al. (2004)	i. Audit committee recommends the external auditor at the annual shareholder's meeting
					Hameed et al. (2004)	j. At least, once a year the committee met with the external auditors without executive board members present, to review financial statements
					Hameed et al. (2004)	k. Details of the activities of audit committees, the number of audit meetings held in a year and details of the attendance of each individual director in respect of meetings are disclosed
					Hameed et al. (2004)	l. Audit committee members attend at least 75% of meetings on average
		8	Corporate Governance Indicator (Fairness and Transparency) – Shari'ah Governance	Shari'ah Governance	GSIFI-1 (AAOIFI, 2010)	Are the fatwas, and rulings of the Shari'ah supervisory board binding on the Islamic financial institution?
					GSIFI-1 (AAOIFI, 2010), IFSB-10 (IFSB, 2009)	Is Shari'ah supervisory board appointed by the shareholders in their annual general meeting or by BoD, but not by Management?
					GSIFI-1 (AAOIFI, 2010)	The Shari'ah supervisory board should not include directors or significant shareholders of the Islamic financial institution.

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			GSIFI-1 (AAOIFI, 2010), Haniffa & Hudaib [5]	Does IFIs publish the fatwas, rulings and guidelines issued by its SSB during the year (including newly issued, revised or amended decisions)?
			IFSB-10 (IFSB, 2009)	Are SSB members and ISCU/ISRU staff providing training to other staff: management, back and front-office?
			IFSB-10 (IFSB, 2009)	Is there a process of assessment of effectiveness of SSB (collectively and individually per each member)?
			IFSB-10 (IFSB, 2009)	Is the assessment report on effectiveness of SSB provided to BoD/AGM for making decisions on SSB (resignation/nomination new members and etc.)?
			IFSB-10 (IFSB, 2009)	In case of conflict between BoD and SSB, is SSB provided with direct access to AGM?
			IFSB-10 (IFSB, 2009)	Is there a mechanism for ensuring absence of conflict of interest for SSB members? (i.e. disclosure to other governance bodies)?
			IFSB-10 (IFSB, 2009)	Do SSB follow Shari'ah pronouncements of national Shari'ah bodies (if existed) or internationally recognised bodies?
			IFSB-10 (IFSB, 2009)	In case of not following national/international Shari'ah pronouncements in SSB's decision, are such decisions disclosed so that they can be openly assessed by the industry's stakeholders (subject to confidentiality)?
			IFSB-10 (IFSB, 2009)	Do SSB periodically on systematic manners interact with BoD?
			IFSB-10 (IFSB, 2009)	Does SSB oversee the computation and distribution of zakat to be distributed to charity?
			Haniffa & Hudaib [5]	Are names, positions and pictures of the SSB members provided?
9	Corporate Governance Indicator (Fairness and Transparency) - Other aspects	Other	Hameed et al. (2004)	c. There is a Risk Management Committee
			Hameed et al. (2004)	f. The maintenance of an effective system of internal controls is disclosed
			Belal, Abdelslam & Nizamee [11]	Does the bank have a formal disclosure policy that has been approved by BOD?
10	Ethical aspects	Ethical behaviour and consumers' rights	Belal, Abdelslam & Nizamee [11]	Does the organisation comply with an ethical code of conduct ?
			Belal, Abdelslam & Nizamee [11]	Has this ethical code of conduct been described?
			Belal, Abdelslam & Nizamee [11]	Is there an ethical committee?

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						Belal, Abdelslam & Nizamee [11]	Are employees trained in ethical policies?
						Belal, Abdelslam & Nizamee [11]	Does the organisation comply with customer protection legislation?
B	Safeguarding the Human self	3. Self	11	Investment in vital real sector and SME	Investment ratios in vital real sector	Mohammed, Dzuljastri & Fauziah [37]	Investment in Real Economic Sector/Total Financing
					Financing microfinance	Ngalim and Ismail (2014)	Investments to Microfinance and SME
		4. Intellect	12	Advancement of Knowledge	Education grant and research	Mohammed, Dzuljastri & Fauziah [37]	Education grant or scholarship/total expenses
						Mohammed, Dzuljastri & Fauziah [37]	Research expenses/total expenses
						Belal, Abdelslam & Nizamee [11], Haniffa & Hudaib [5]	Does the company sponsor work experience programmes for students?
						Belal, Abdelslam & Nizamee [11]	Has the organisation been involved in establishing educational institutions?
						Belal, Abdelslam & Nizamee [11]	Is the organisation involved in any arts related activities?
						Ngalim and Ismail (2014)	Does IB provide educational financing?
			13	Installing new skills and improvement	Training	Mohammed, Dzuljastri & Fauziah [37]	Training expense/total expenses
			14	Creating Awareness of Islamic Banking	Publicity / Awareness on Islamic Banking	Mohammed, Dzuljastri & Fauziah [37]	Publicity expense/total expenses
						Haniffa & Hudaib [5]	vi. Conferences on Islamic economics
C	Safeguarding the society	5. Posterity	15	Redistribution of wealth	Wages (RO1)	Ngalim and Ismail (2014)	Wages / Net income
					Tax (RO2)	Ngalim and Ismail (2014)	Tax / Net income
					Shareholders (RO3)	Ngalim and Ismail (2014)	Shareholders dividends / Net income
					Depositors (RO4)	Ngalim and Ismail (2014)	Depositors returns / Net income
					Zakat (RO5)	Ngalim and Ismail (2014), Mohammed, Dzuljastri & Fauziah [37]	Zakat / Net income
					Waqf (RV1)	Ngalim and Ismail (2014)	Waqf / Net income
					Sadaqah & Infaq (RV2)	Ngalim and Ismail (2014)	Sadaqah & Infaq / Net income
		6. Social entity	17	Developmental and Social Goals	Zakah, charity and benevolent loans	Haniffa & Hudaib [5]	i. Bank liable for zakah
						Haniffa & Hudaib [5]	ii. Amount paid for zakah
						Haniffa & Hudaib [5]	iii. Sources of zakah
						Haniffa & Hudaib [5]	iv. Use/beneficiaries of zakah
						Haniffa & Hudaib [5]	v. Balance of zakah not distributed-amount
						Haniffa & Hudaib [5]	vi. Reasons for balance of zakah
						Haniffa & Hudaib [5]	ix. Zakah to be paid by individuals-amount
						Haniffa & Hudaib [5]	x. Sources of charity (saddaqa)
						Haniffa & Hudaib [5]	xi. Uses of charity (saddaqa)
						Haniffa & Hudaib [5]	xii. Sources of qard al-hassan
						Haniffa & Hudaib [5]	xiii. Uses of qard al-hassan
						Haniffa & Hudaib [5]	xiv. Policy for providing qard al-hassan
						Haniffa & Hudaib [5]	xv. Policy on non-payment of qard al-hassan
					G. Community	Haniffa & Hudaib [5]	i. Creating job opportunities
						Haniffa & Hudaib [5]	ii. Support for org. that provide benefits to society

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						Haniffa & Hudaib [5]	iii. Participation in govt. social activities
						Haniffa & Hudaib [5]	iv. Sponsor community activities
						Haniffa & Hudaib [5]	v. Commitment to social role
						Belal, Abdelslam & Nizamee [11], OECD (2004)	Does the organisation work closely with the local community?
						Belal, Abdelslam & Nizamee [11], OECD (2004)	Does the organisation develop and apply self-regulatory practices and management systems that foster a relationship of confidence and trust between enterprises and the community?
						Belal, Abdelslam & Nizamee [11], Haniffa & Hudaib [5]	Is the organisation committed to supporting community organisations?
						Belal, Abdelslam & Nizamee [11]	Any mention of commitment to local economic development made?
						Belal, Abdelslam & Nizamee [11]	Is there a description of charitable activities achieved?
						Belal, Abdelslam & Nizamee [11]	Does the bank support employee involvement in charities?
						Belal, Abdelslam & Nizamee [11]	Does the organisation sponsor any community programmes?
						Belal, Abdelslam & Nizamee [11]	Amount spent on School, art or sport sponsorship
D	Safeguarding physical environment	7. Wealth	18	Fair Returns	Fair Returns	Mohammed, Dzuljastri & Fauziah [37]	Profit Equalization Reserves (PER)/Net Income
			19	Earning Ability	Return on Asset	Jaffar and Marnavi (2011)	Net income/total assets
					Return on Equity	Jaffar and Marnavi (2011)	Net income/total equities
			20	Distress predictability	Altman's Z-score for Emerging Markets	Othman and Shahadan (2015)	Altman's Z-score for Emerging Markets
		8. Ecology	21	Environment Indicators	Policy Objectives and Environmental Issues	GSIFI-7 (AAOIFI, 2010)	Mandatory policy - screening investments on environmental impact
						GSIFI-7 (AAOIFI, 2010)	Recommended policy on reduction of adverse impact on environment
						GSIFI-7 (AAOIFI, 2010)	Investments and funds for contribution to environment improvements
						Hameed et al. (2004)	f. Energy, Paper or Water Savings
						GRI (2013)	Is the environmental section of AR following GRI or other best practices?

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Financing in the Islamic System and Sustainable Economic Development of Selected Islamic Countries

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Abstract— **Financial markets have the obligation to support the real economy has become the development and sustainable economic growth. Capital is an indispensable tool for economic growth and prosperity, which is accelerated through the financial markets, and Islamic finance tools have developed significantly in Islamic countries in recent years. Promoting macroeconomic objectives such as sustainability and achieving endogenous and viable economic growth are the purposes of all economic systems. Increasing growth of financial methods and development of these systems drives from this reality that the sustainable development of the financial system is an integral part of economic system development. Islamic financing has emerged in the world financial literature, intending to provide a new model for replacing conventional financial plans and providing financial, commercial and investment facilities and opportunities by the principles of Sharia. This system has been able to identify its various dimensions. Due to the benefits and advantages of Islamic financing, the issue of Islamic financing has become critical in the international arena. By assuming Islamic financial systems, it can be concluded that they do not permit the use of current financial methods since usury is forbidden in Islam. So, they attempt to create Islamic financial instruments. As an Islamic and non-usury financial instrument, Sukuk has found a suitable position among Islamic governments and companies. Islamic financing has emerged in the world financial literature to provide a new model for replacing traditional and conventional financial systems and providing financial, commercial and investment facilities and opportunities under the principles of Sharia. The purpose of the present study is to investigate the role of Islamic financing of Sukuk on the economic growth of Malaysia, Iran, Pakistan, Qatar, Bahrain, Turkey, Indonesia, UAE and Saudi Arabia; applying the panel data, will be analysed the variables affecting economic growth (government spending, gross capital formation, labour force, exports and Sukuk).**

Keywords: Financing, Islamic Financing, Economic Growth, Sustainable Development, Islamic countries, Sukuk

Introduction

Financial markets, as the flow of financial resources from the non-productive sector to the productive sector, have a valuable role in economic growth, stabilization of monetary and financial variables, investment, increasing employment and improving the welfare of society. Due to the high importance of these markets, they are referred to as the main arteries of the economy [1].

Financial markets have to support the real sectors of the economy to pave the way for sustainable economic development and growth. Financial markets must support the real sectors of the economy to pave the way for sustainable economic development and growth. Organizations, companies, institutions need financial resources to establish, equip or expand their activities, that in conventional financial markets, this need is met by issuing interest-bearing bonds. From the Islamic point of view, interest rates (usury are forbidden, and these bonds cannot be used for financing in Islamic society. Muslim philosophers, considering the importance of financing companies through Islam, first thought of creating an Islamic banking system and then launching a capital market. The role of Islamic financial instruments or Sukuk in the Islamic financing system is significant and prominent [2]. Islamic financing has emerged in the world economic literature to provide a new model for replacing traditional and conventional financial systems and providing financial, commercial and investment facilities and opportunities following the principles of Sharia [3]. This system has been able to identify its various dimensions. Due to the benefits and advantages of Islamic financing, the issue of Islamic financing has now become critical in the international arena [4; 5]. Today, the benefits of Islamic financing have led to its expansion and growing importance. A wide range of Islamic financial institutions is active not only in Islamic countries but also in some European countries [6]. In this vein, the scope of activities of financial

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institutions and banks providing Islamic financial services is increasing; today, about 150 financial institutions in more than 45 countries worldwide are developing and expanding and implementing various forms of Islamic financing. Islamic financial instruments (Sukuk) are securities with the same financial value and tradable in financial markets, designed based on one of the contracts approved by Islam, and bondholders jointly own one or a set of assets and benefits derived from them [7].

The present study investigates the role of Islamic financing of Sukuk on the economic growth of selected countries, including Malaysia, Iran, Pakistan, Qatar, Bahrain, Turkey, Indonesia, UAE and Saudi Arabia. After the abstract and introduction, the theoretical foundations of the research; in the next section, the research method is examined, the research findings are analysed, and the final part of the research result is expressed.

I. Theoretical framework

The most accurate definition of financing theory is provided by Merton: The study of the behaviour of brokers in the process of allocation and distribution of resources from both dimensions of place and time in uncertain conditions forms the basis of financing [8]. Time and uncertainty are the main elements influencing financial behaviour [9]. In the economic literature, capital is a critical factor in economic growth. Increasing the volume of capital, both directly as a factor of production and through increasing the efficiency and productivity of other factors, increases the level of employment, production and welfare of society. Therefore, financing investment projects is critical because of the great importance of capital formation in the economy. Financial development is one factor that diverts resources from savers to investors [10], and plays an essential role in financing projects for optimal resource allocation and investment risk sharing. Financial development is defined through four channels: risk management, financial deepening, financial liberalization, and financial innovation [11].

Diversification of financial instruments is, in fact, one of the factors affecting the development of financial markets and their efficiency. Since financing encourages better savings and investment and is an objective facilitator for production and consumption, it is essential and done better through financial innovation [12]. The relationship between financing development and economic growth has been a controversial topic that has been widely analysed in the economic literature, and Some experts consider financing to be an essential element of economic development [13; 14; 15]. For other scholars, financing is only a small factor in economic growth. Schumpeter cognises the banking sector as the engine of economic growth that finances the production investment budget [16].

Financial development implements efficiently through channels of conversion of savings into investments. This channel performance via increasing profit margins and financial intermediaries, which has led to an increase in the diversification and specialization of banks [17]. These costs are affected by inefficiency in providing financial services, redistribution of financial intermediaries' profits through taxation, and risk compensation by financial intermediaries. Financial development also leads to increased productivity of capital [18]. An efficient financial system increases capital productivity and affects economic growth by selecting the most profitable investment projects, risk sharing, providing the required liquidity for investment projects [19]. Financial development will also positively affect savings rates because an efficient financial system offers a better combination of returns and risk for savers, and early patterns of economic growth emphasize higher savings rates and higher economic growth rates [20].

Economic growth is the primary manifestation of the performance of governments; Economists try to help policymakers improve the index by accurately recognizing the dynamics and factors affecting the change and evolution of this index. In the economic literature, the accumulation and storage of physical capital have been expressed as a vital factor to achieve more outstanding production and productivity and to create a continuous flow of additional income for society [21]. To achieve the theoretical relationship between financing and economic growth, the production function should be utilised because, in the production function, the relationship between investment and economic growth is stated and investing in any institution without financing that institution is considered impossible [22]. In the 1940s, Haroud and Dumar used the most famous production function to analyse the process of economic growth. The central assumption of their model is that the amount of production in each economic unit, whether firm, industry or the whole economy, depends on the amount of investment in that unit [23; 24]. Islamic financial instruments play a significant role in the growth and development of banking and the Islamic capital market. They have an essential role in achieving the Islamic goals for the economic and livelihood of Islamic societies [25]. Islamic financing is the best way to finance large economic projects and activities beyond the financial capacity of an individual or a private company, or even the government [5]. The main aspects of the distinction between Islamic-based financing and conventional financing are based on five principles [26], three of them include the prohibition of usury, the ban of risk and uncertainty, and the prohibition of financing the illegal sectors of weapons, drugs, etc.). Also, the two principles, profit and loss sharing and transaction based on an asset, are influential aspects of distinguishing between these two types of financing [27]. Global banks and Islamic financial institutions can expand around the world [28; 29].

This capacity is due to the capabilities of this system, as well as the structural problems and weaknesses of usurious financing [30]. The inefficiency of the conventional economic system (interest-bearing system) is not only proposed among Islamic doctrines, but many economists, such as Fisher, Simmons, and Friedman, have argued that the one-sided, interest-bearing debt system is fundamentally insecure [31]. The process of globalization, to have global scope for the activities of Islamic banks and the expansion of global communications, including financial communications, has created new perspectives in Islamic banks [32]. Islamic financing leads to financial stability and development due to

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the transparency of contracts by covering inflation and trying to reduce it [33]. The existence of non-fixed profits in Islamic agreements that lead to Islamic financing excludes financial repression. It leads to endogenous economic growth by preventing the increase of intermediary financial expenses.

II. LITERATURE RIVIEW

Goldsmith was the first scholar to point to the positive relationship between financial development and economic growth [34]. In a study based on empirical evidence and using statistical data from 35 countries in the period 1963-1860, he realised if periods of several decades are considered, an approximate symmetry between economic and financial development [35]. It can also be seen that for a small number of countries where statistical data are available, rapid economic growth has been accompanied by high financial development rates. Rousseau and Vuthipadadorn, Has examined the relationship between financial system development and economic growth using VAR and VECM models for 10 Asian countries in 1950-19000 .The study results confirm the long-term relationship between financial and real economic variables and show that in many countries, the causal direction is from the financial sector to the real sector of the economy. The research results confirm the weak externalization of the financial sector compared to investments in 5 countries [36].

Colombages, in a study entitled "Financial Markets and Economic Performance", found that the issuance of Sukuk has no effect on economic growth, but in a long time, will have a positive impact on economic growth. This relationship may be one-way, meaning that the issuance of Sukuk bonds will improve economic growth. However, he stressed that the relationship between these two variables depends on the economic structure of each country [37].

Lawal and Imam, investigated banking and economic growth based on Nigerian empirical observations; the primary purpose of the study is to examine the financial contribution to Nigeria's economic growth and its direct relationship. Experimental results of research using quarterly data from time series during 2015-2015 show a strong positive relationship between financing of Islamic banks and economic growth in Nigeria, which results in the theory of an efficient banking system leading to economic growth [38].

Abdelghani Echchabi, conducted a study to determine whether Sukuk financing affects the economic growth of large exporting countries. The research findings show that the issuance of Sukuk can affect GDP and gross capital formation if all countries cooperate; otherwise, it will not affect the growth of Saudi Arabia and the GCC [39].

Smaoui and Khawaja, studied the emergence of the Sukuk market and its economic effects. They state that the lack of interest in Sukuk markets is one of its essential features. What distinguishes it from other financial markets is that all developed Islamic countries use Sukuk but it's also used as a financial instrument, especially in European countries and the United Kingdom. The value of Islamic financial assets is estimated at $ 3.2 trillion by 2020, the Sukuk market share of total assets is about 10%, which is increasing every year, and this shows the importance of the Sukuk market [40].

Nawaz et al., examined the impact of Islamic financing on Pakistan's economic growth quarterly using time series data from 2006-2015. This study shows that in the long run, there is a positive relationship between Islamic financing and economic growth in Pakistan, and this strengthens the theory that "good performance and functioning of the Islamic banking system leads to economic growth." Meanwhile, in the short term, there is no relationship between economic growth and Islamic banking [41].

Abdelghani Echchabi et al., examined Sukuk financing on the economic growth of GCC member countries using the test Toda and Yamamoto Granger. The study results indicate that Sukuk financing does not affect the economic growth of these countries, which has significant consequences [42].

III. METHODOLOGY

This research method is descriptive-explanatory, and the data panel method is used according to its statistical data. According to the study of the role of Islamic financing of Sukuk on the economic growth of selected countries, the method of collecting information and statistical data based on the library method and searching the World Bank and the United Nations website, testing research hypotheses and related analyses using econometric models (data panel); to estimate the model, first the F test to select the combined method or data panel, and then the Hausman test is performed to determine its fixed effects, and Eviews8 software will be used to test and estimate the model.

The statistical universe in the current study of selected countries includes Malaysia, Iran, Pakistan, Qatar, Bahrain, Turkey, Indonesia, UAE and Saudi Arabia. This study aims to investigate the role of Islamic financing on the economic growth of selected countries, which is analysed using data from selected countries. The model used in this study is adapted from the Drissi and Angade [43], and the general formula of this research is:

$$LGDP_{it} = \beta 1+\beta 2LExport_{it} +\beta 3LGCF_{it} +\beta 4LLF_{it} +\beta 5Lsukuk_{it} +\beta 6LGE_{it} + \varepsilon_{it}$$

LGDP; GDP logarithm (economic growth)

LExport; Export logarithm

LLf; Logarithm of the labors

LGCF; The logarithm of gross capital formation

LSukuk; Logarithm sukuk

LGE; Logarithm of government expenditures

First, the unit root test is performed to check the significance of the model variables. The F-Limer test is performed to select the combined method or data panel, and then the Hausmann test is performed to determine the fixed or random effects for estimating the model. The research variables are logarithmically entered into the model to compare the estimation coefficients with each other. All data for this study were collected from the World Bank and the United Nations (UN) website.

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IV. FINDINGS

A. Evaluation of the reliability of research variables

Before estimating the model, it is crucial to test the reliability of all variables used in the model; because the instability of variables in both time series data and panel data causes false regression problems to evaluate the statics of variables, Levin, Lin and Chu (LLC) tests are utilised, which are more used to assess the reliability of variables in composite data. Examination of tests is determined through the Ivy 8 platform and significance based on prob at the level of 5%. Given that the H0 test hypothesis indicates the existence of a unit root for each variable, if the calculated p-value is less than 5%, the hypothesis of a unit root for that variable is rejected. In other words, the probability value less than the value of 0.05, H0 is denied based on a unit root at the 95% confidence level, and the model variables at the (I0) level are stable or static.

TABLE I. TESTING THE RELIABILITY OF RESEARCH VARIABLES (LLC)

Variable	*Statistics value*	*Level*	*Prob < 0.05*
LGDP	-5/24463	I (0)	0/0000
Lexport	-11/7279	I (0)	0/0000
LGCF	-4/0137	I (0)	0/0000
LLf	-9/5391	I (0)	0/0000
LSUKUK	-4/518	I (0)	0/0000
LGE	-15/7984	I (0)	0/0000

B. Estimation of research models

First, are estimated the Chu test and the Hausman test, then the Sukuk model. For the Chow test, estimated the time-constant effects model is and evaluated the Panel or Pool based on the F-Limer test.

TABLE II. CHOW TEST FOR POOL AND PANEL DATA

Chow test time-constant effects	*F- statistic*	*Prob < 0.05*	*Effect*
	65/5511	0/0000	Reject H0

The table shows the confirmation of the fixed effects against the least-squares aggregation method. In simpler terms, the validation of composite data versus integrated data, because the probability is less than 5%.

After verifying the panel data, the Hausman test is applied to detect the difference in the intercept of the cross-sectional units is constant or random operations can express this difference between units more clearly. In this test, we examine the H0 based on the consistency of random effect estimates instead of the H1 hypothesis based on the inconsistency of random effect estimates or fixed effect consistency.

TABLE III. HAUSMAN TEST TO DETECT THE MODEL OF FIXED OR RANDOM EFFECTS

Hausman test	*Statistics value*	*Prob < 0.05*	*Effect*
	12/5491	0/0280	Reject H0

The results of the Hausman test indicate the rejection of the H0. Because the probability is less than 5%. Based on the results in Tables (II) and (III), the pattern of this research for the studied countries and the Sukuk variable is estimated using the design of fixed effects and the estimation results are reflected in Tables (IV):

TABLE IV. TABLE 4- RESULTS OF ESTIMATING THE MODEL WITH ISLAMIC FINANCING VARIABLE (SUKUK)

Variables	*Test panel data (random effects)*		
	Coefficient	*T-statistic*	*Prob < 0.05*
Y-intercept	3,475645	0,403980	0/0000
Lexport	0,218808	0,059970	0/0010
LGCF	0,371525	0,031908	0/0000
Llf	0,267126	0,095576	0/0091
LGE	0,156678	0,066109	0/0000
LSUKUK	0,007042	0,003671	0/0650

$R^2 = 0/99$
DW = 1/63
F-statistic = 5018,505
Prob (F-statistic) = 0/0000

Growth studies usually use the logarithmic form of variables. This is because the model will be a constant tensile model, and the estimated coefficients will be interpreted directly as tensile. Stable tensile models are also more appropriate for policy recommendations. Sukuk coefficients have a positive sign and are statistically significant at less than 10% and with 94% confidence. Accordingly, Sukuk has a positive and significant effect at 90% on the economic growth of the studied Islamic countries during this period.

The outcomes of Table (IV) show that the estimation model is in a good position in terms of statistical indicators. The F statistic indicates the significance of the complete regression. In other words, the hypothesis that the coefficients of the model-independent variables can be 0 is rejected, and the complete regression is significant. Also, the statistical value of R2 is 0.99, which shows that the explanatory variables describe 99% of the changes in the dependent variable. The lack of autocorrelation in the remnants of the model was investigated using the Durbin-Watson, which is 1.63. This value is between 1.5 - 2.5, which is acceptable [44].

Among the variables affecting economic growth in this estimation model, gross capital formation, labor, exports, government expenditures and Sukuk, respectively, had the most significant impact on economic growth, and all variables had a significant effect on growth at 90%.

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V. CONCLUSION

In recent years, the expansion of Sukuk markets has been rapid. The development and prosperity of the Sukuk market depends on the standardization and coordination of the structure of Islamic securities with the global securities standard. To achieve this, the basic requirements include creating a legal framework and establishing support institutions. Regulations in the Islamic world will undoubtedly welcome the entry of sukuk into the market, and this new product will help the market formation process by collecting private savings and directing it to investment opportunities and will lead to the deepening of the capital market.

Due to the advantages of these securities, diversified sukuk design with different risks and returns, has a very important role in expanding the sukuk market. Just as in today's world of capital markets, investors welcome securities that have been certified by reputable international rating agencies. Providing the possibility of ranking Islamic securities will help in expanding its market.

All companies and investors consider financing as their most important goal and plan to provide it. Financing is essential for profitable projects; financial managers must attempt to give the company's financing sources and measure the company's financial risk and profit because the company's potential financing for investment and appropriate financial plans are among the factors of the company's progress.

Islamic financing has emerged in the world financial literature intending to provide a new model for replacing traditional and conventional financial systems and providing financial, commercial and investment facilities and opportunities following the principles of Sharia [45; 46]. This system has been able to identify its various dimensions. Due to the particular benefits and advantages of Islamic financing, the issue of Islamic financing has now become critical in the international arena. In this regard, various financial institutions and tools have been invented and used. Nowadays, the benefits of Islamic financing have led to its expansion and growing importance; a wide range of Islamic financial institutions are operating not only in Islamic countries but also in some western countries. In addition, the number and scope of activities of financial institutions and banks providing Islamic financial services are increasing.

This study aims to investigate the role of Islamic financing of Sukuk on the economic growth of Malaysia, Iran, Pakistan, Qatar, Bahrain, Turkey, Indonesia, UAE and Saudi Arabia. Findings indicate that Sukuk coefficients have a positive sign and are statistically significant at a level of less than 10% and with 94% confidence. Sukuk has a positive and significant effect at 90% on the economic growth of the studied Islamic countries during the period.

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Islamic Governance, Maqashid Sharia Index, and Islamic Social Reporting: The Case of Islamic Banks in Indonesia

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Abstract— **Many previous studies still examine the Islamic maqashid index as a performance measurement system. This collaborative research uses the maqashid sharia index in another perspective as a determinant that influences the level of Islamic social reporting. In addition, Islamic governance and Islamic social reporting were used in this study. The novelty offered from this study is on the research model which includes financial determinants and non-financial determinants of Islamic social reporting. Financial determinants in this study use profitability, company size, and age of the company. The non-financial determinants include Islamic governance and maqashid sharia index. This study aims to obtain empirical evidence about the influence of Islamic governance, maqashid sharia index, and financial performance on Islamic social reporting. The sample of this research is 11 Islamic banks in Indonesia in the period 2015-2018. The data analysis technique uses Partial Least Square with SmartPLS version 3 by applying convergent validity, discriminant validity, reliability and hypothesis testing. The research findings show that the Maqashid Sharia index and financial performance influence the level of Islamic social reporting. The better the maqashid sharia index the wider the level of social reporting. The stronger effect produced by financial performance on the level of social reporting. In contrast, Islamic governance does not affect the maqashid Sharia index and Islamic social reporting.**

Keywords: Islamic governance, maqashid sharia index; financial performance; Islamic social reporting

I. INTRODUCTION

The implementation of governance in Islamic banks is different from conventional banks, namely the obligation to comply with sharia principles in Islamic banks. Sharia principles refer to the principles of Islamic law in banking activities based on fatwas issued by the National Sharia Council which was formed by the Indonesian Ulama Council. The low compliance with sharia principles against sharia principles provides an opportunity for fraud in Islamic banks. Therefore, guarantees regarding the fulfillment of sharia principles (sharia compliance) from a customer fund management activity by Islamic banks are very important in the business activities of Islamic banks [8]. Even adherence to sharia principles does not only represent an operational system but must become a work culture through worship practices [32]. Good governance is expected to increase the credibility, effectiveness, and efficiency of Islamic banks. One of the important issues regarding the existence of sharia governance is the existence of a Sharia Supervisory Board or what is known as the Sharia Advisory Board (SAB). This regulation regarding the Sharia Supervisory Board is regulated in Bank Indonesia Regulation No. 11/33/PBI/2009 [52] and Bank Indonesia Circular Letter No. 12/13/DPbS [53].

Islamic banks are required not only to achieve profit maximization but also to maximize the achievement of rights to Allah through the payment of zakat and the state through the payment of taxes. In addition, above all, the profits generated by Islamic Banks must be able to lead to increased security, health, and welfare for every Muslim [33]. The concept of maqashid sharia is what distinguishes it from

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conventional banks. This is understandable because Islamic banks use maqashid sharia as a foothold so that people can take advantage of Islamic social financing and take advantage of funds from the surplus side. Islamic banks provide sustainable and impactful financing for those who have limited access to conventional banks [41].

The maqashid sharia index (MSI) in several previous studies [24], [39] used 3 indicators, namely educating individuals (*tahdzibul fard*), upholding justice (*iqamatul 'adl*), and producing benefits (*jalbul maslahah*). This shows that Islamic banks have a very important role in the fields of education, justice, and benefit. This condition is relevant to the objectives of Islamic banks, where Islamic banks do not only aim to maximize profits but must be responsible to God and fulfill human rights socially [33].

Islamic social reporting (ISR) was first initiated by [15]. The ISR was further developed more extensively by [36] in Malaysia and currently, the ISR is still being developed by further researchers. According to [15], there are many limitations in conventional social reporting, so he proposes a conceptual framework for ISR based on sharia provisions that are measured using an ISR index. The ISR index is an extension of social reporting which includes public expectations not only regarding the role of companies in the economy but also the role of companies from a spiritual perspective. In addition, the ISR index also emphasizes social justice in relation to reporting on the environmental environment, minority rights, and employees.

[23] explains that the high ISR value of Islamic Banks in Indonesia is also influenced by the high value of disclosure on the theme of corporate governance. This happened because the government issued Bank Indonesia Regulation Number 11/33/PBI/2009 concerning the Implementation of Good Corporate Governance for Islamic Banks [52]. In addition, there are also regulations governing disclosure of social responsibility, including [48], [49].

The results of research on the effect of governance on the disclosure of social responsibility show contradictory results. The size of the sharia supervisory board is empirically proven to affect the disclosure of social responsibility [34], [43]. The results of other studies prove that governance represented by the size of the sharia supervisory board has no effect on the disclosure of corporate social responsibility [7], [21].

However, when compared to other Islamic countries, the development of the ISR index in Indonesia is still relatively slow [39]. This is because ISR disclosure in Islamic banking in Indonesia is still voluntary, not mandatory. In addition, there are also no specific regulations governing disclosure items in the ISR index such as in Islamic countries such as Malaysia, Sudan, Bahrain, United Arab Emirates, Iran, Palestine, Kuwait, Bangladesh, and Qatar, where the ISR index has become a part of it. from the reporting of Islamic organizations in the countries concerned. This is evident from the many studies on the ISR index in these countries [10].

To improve the level of ISR disclosure at Islamic Banks in Indonesia, it is necessary to examine the factors that influence the disclosure. There are many factors that influence the level of ISR disclosure apart from governance, including the maqashid sharia index, profitability, size, and age of the company. Social disclosure in most studies still uses the global reporting initiative (GRI). Disclosure with GRI has not revealed information about the principles that are in accordance with Islamic teachings because they are still general in nature. Current research uses Islamic social reporting disclosures which according to [15] show accountability to Allah and society and to increase tranTsparency and provide relevant information to stakeholders. Much of the previous empirical research used the basis of legitimacy theory and agency theory to explain the influence of several variables on Islamic social reporting [40].

The company characteristics in this study use profitability, company size, and company age. In the context of the relationship between profitability and disclosure of social responsibility, managers in profitable companies tend to disclose information on social responsibility more broadly in order to obtain personal benefits such as promotions and compensation. Several previous studies from [2], [7], [29], [47] succeeded in confirming agency and legitimacy theory and proved the positive effect of profitability on the level of corporate social responsibility disclosure. The greater the level of profit the company gets, the wider the level of disclosure of corporate social responsibility.

Based on agency theory, it can be explained that the larger the company size, the agency costs that must be incurred are also quite large. Thus, the company will seek to reduce agency costs through broader disclosure of social responsibility. Most of the research confirms both agency theory and legitimacy theory in explaining the relationship between company size and disclosure of corporate social responsibility, as research conducted by [1]-[2], [13], [19], [38], [42].

Current research is important to do to address previous research gaps. In the context of the relationship between governance and disclosure of social responsibility, research gaps occur because of inconsistent findings from previous research. In addition, there are still few studies examining the effect of factors on Islamic Social Reporting (ISR). The finding of this study is a complete research model, namely the determinant model of Islamic social reporting disclosure in Islamic banks (Figure 1). The determinants are not only financial determinants but also non-financial determinants. Financial determinants include profitability, company size, and company age. The non-financial determinants include Islamic governance as represented by the characteristics of the sharia supervisory board (SSB) and the maqashid sharia index. Based on the background, the problem formulations in this study are: (1) Does Islamic governance affect Islamic social reporting?, (2) Does the maqashid sharia index affect Islamic social reporting ?, (3) Do firm characteristics as represented by profitability, company size, and company age affect Islamic social reporting?, and (4) Does Islamic governance affect the maqashid sharia index?.

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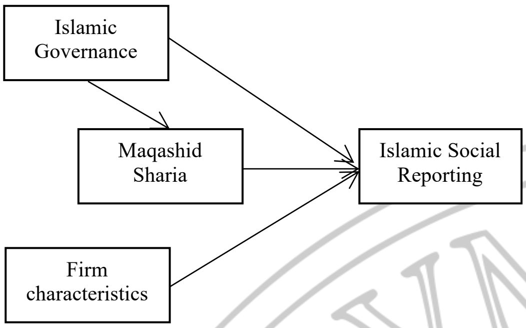

Figure 1. Conceptual Framework
Source: Author's elaboration

II. THEORETICAL FRAMEWORK

A. Grand Theory

The first grand theory is agency theory. Agency theory requires a separation between the principal and the agent, this trigger asymmetric information in which the agent has better information about the organization than the principal. The existence of asymmetric information can trigger agency problems in the form of moral hazard and adverse selection [20]. Regarding the possibility of agency problems, according to [20], agency costs to suppress agency problems consist of (1) monitoring costs, (2) bonding expenditure, and (3) residual loss.

[9] argues that a conflict of interest or agency problem arises when a conflict arises between the expectations or goals of the owner/shareholder and the directors, and when the owners have difficulty verifying what management is actually doing. The implication of agency theory for this research is that management as an agent is inseparable from any actions towards the principal. Islamic banks know more about fund management than customers. This is what is often referred to as asymmetric information. With the existence of asymmetric information, it is possible that agency problems will arise [37]. The agency conflict can be resolved by implementing corporate governance. Corporate governance is implemented through structures and mechanisms.

The second grand theory is legitimacy theory. Legitimacy is based on the idea that the company has a social contract with the community, whereby the company agrees to take actions that the community wants for the company's business sustainability. Legitimacy theory argues that disclosures made by companies are related to environmental factors (economic, social, and political) that these disclosures legitimize the company [17], [28], [30]. In legitimizing its actions through disclosure, the company hopes to continue its business existence [28].

According to the legitimacy theory, disclosure of corporate social responsibility is carried out so that the community gives a positive response to company performance. This response will give birth to a good value of the company from the perspective of the community so that in the end it can increase the achievement of company profits. In order to test the theory of legitimacy, [27] compared CSR disclosure on companies that do tax aggressiveness with companies that do not do tax aggressiveness in Australia. The results of their study succeeded in confirming the legitimacy theory in the context of tax aggressiveness.

B. Islamic governance

Islamic banks must carry out their functions properly in accordance with applicable banking regulations and in accordance with sharia principles. To ensure the implementation of sharia principles, in Islamic banking activities there is one very important party, namely the sharia supervisory board (SSB). The role of the sharia supervisory board is very strategic in implementing sharia principles in Islamic banking institution.

In Bank Indonesia Regulation No. 11/33/PBI/2009 in Article 47, SSB has the duty and responsibility to provide advice and suggestions to the board of directors as well as to supervise bank activities in accordance with sharia principles [52]. The implementation of SSB duties and responsibilities includes:

1. Assess and ensure compliance with the sharia principles of operational guidelines and products issued by the bank.
2. Oversee the process of developing new products of the bank to comply with the fatwa of the National Sharia Council - Indonesian Ulema Council.
3. Requesting a fatwa from the National Sharia Council - Indonesian Ulema Council for new products of the bank for which there is no fatwa.
4. Conduct regular reviews on the fulfillment of sharia principles on the mechanism for raising funds and channeling funds as well as bank services.
5. Request data and information related to sharia aspects from the Bank's work units in the context of carrying out their duties.

According to Bank Indonesia Regulation No. 6/24/PBI/2004 in Article 26 (1) states that the number of members of the Sharia Supervisory Board is at least 2 people and a maximum of 5 people [50]. Bank Indonesia Regulation No. 11/33/PBI/2009 stipulates that SSB members may only hold concurrent positions as SSB members at the maximum of two banking institutions and two non-bank Islamic financial institutions and members of the Sharia Supervisory Board are prohibited from concurrently serving as consultants in all Islamic banks [52]. One SSB member is allowed to concurrently serve as a member of the National Sharia Council.

Bank Indonesia Regulation No. 11/33/PBI/2009 regulates the Sharia Supervisory Board meetings [52], including:

1. Meeting of the Sharia Supervisory Board must be held at least 1 time in 1 month.
2. Decisions made by the Sharia Supervisory Board are made based on deliberation to reach consensus.

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3. All decisions of the Sharia Supervisory Board set forth in the minutes of the meeting are joint decisions of all members of the Sharia Supervisory Board.

The results of the Sharia Supervisory Board meeting as referred to in paragraph 1 must be recorded in the minutes of the meeting and well documented.

C. Maqashid Sharia

According to Salman et al. (2018) [39] Islamic sharia is grouped into three, namely belief (*aqidah*), worship, and morality (*akhlaq*). Akhlaq is an inseparable part of sharia. The main objective of implementing sharia is to achieve benefits (*maslahah*), by providing protection to humans. Apart from aiming to avoid harm (*mafsadah*), sharia also aims to protect humans from damage, this goal is known as maqashid which is defined as the goal and target of Islamic law.

In this context, Maqashid sharia plays a very important role for a society in maintaining one's wealth, encouraging everyone to generate, collect, preserve, protect, and distribute wealth fairly. Therefore, the role of Islamic financial institutions is very important to integrate policies to achieve the Maqasid Sharia [22].

According to [4], maqashid is defined as the intent, purpose, intention, cover, or principle behind Islamic law or rules. The definition of maqashid al-Ghazali focuses on the meaning of protection and preservation. Maqasid sharia in its development is also a business model that involves human, social, economic, and environmental development [5].

D. Firm Characteristics

Profitability is the ability of a company to make a profit through its business operations using asset funds owned by the company. Another definition also states that profitability shows the company's ability to generate profits and measures the level of operational efficiency and efficiency in using the assets it owns [31]. The age of the company reflects how long the company is able to survive. Company age is estimated to have a positive relationship with corporate social responsibility disclosure. According to [46], the longer the company survives, the more information the public has about the company. Company size is the variable most frequently used in making annual reports. Generally, companies with a larger scale tend to disclose more information about increasing ownership due to high dividend receipts [6].

E. Islamic Social Reporting

Corporate social responsibility reporting in conventional systems only focuses on material and moral aspects. The spiritual aspect should also be the main focus in corporate social responsibility reporting because decision-makers have the expectation that companies will voluntarily disclose the latest information to help fulfil their spiritual needs. Therefore, there is needs to be a special framework for reporting social responsibility in accordance with Islamic principles [15].

Such a framework is not only useful for Muslim decision-makers but also useful for Islamic companies in fulfilling accountability to Allah and society. This framework is known as Islamic social reporting (ISR). Islamic social reporting (ISR) uses sharia principles as its basic foundation. Sharia principles in ISR produce material, moral, and spiritual aspects that are the main focus of corporate social reporting. Islamic social reporting (ISR) is an extension of social reporting which is not only in the form of a great desire from the whole community for the role of companies in the economy but is related to a spiritual perspective [15]. The current research uses an Islamic social reporting framework with the main reference [15] which is modified with the items contained in the research of [36].

F. The Effect of Islamic Governance on Islamic Social Reporting

The characteristics of the Sharia Supervisory Board are the number of SSB members in a company and in Islamic banking. The increasing number of sharia supervisory boards can increase the ISR level disclosure. The more the number of members of the sharia supervisory board, the more effective and efficient the bank's performance will be so that the disclosure of Islamic social reporting will increase.

A large number of Sharia Supervisory Boards with a variety of perspectives and experiences can result in better corporate report reviews, especially in terms of corporate governance and social responsibility reporting. The smaller the number of members of the sharia supervisory board, the ineffective and inefficient performance of Islamic banks and companies so that the disclosure of Islamic Social Reporting will decrease. This is because the number of SSB members is small so that there is a lack of company and Islamic banking performance reviews and a lack of reporting on social responsibility.

The influence of the variable characteristics of the Sharia Supervisory Board with stakeholder theory is that the Sharia Supervisory Board is also said to have an interest in companies and banks. A large number of Sharia Supervisory Boards will make Islamic companies and banks adapt easily. The relationship between stakeholder theory in this variable is that a large number of Sharia Supervisory Boards will have the right to know all the information in companies and Islamic banking. The impact can be seen through corporate social responsibility reporting that the Sharia Supervisory Board will provide financial and non-financial information in accordance with the company's real conditions. The effect of the variable characteristics of the Sharia Supervisory Board with agency theory, namely the greater the number of Sharia Supervisory Boards, the more frequent meetings will be held between the principal and the agent so that the cooperation between companies and Islamic banking will be increasingly established so that they can delegate decision-making authority.

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Based on empirical research, [7] did not find the effect of the size of the Sharia Supervisory Board (SSB) on the disclosure of Islamic social reporting (ISR). [7] uses the object of Islamic banks in Germany and produces empirical evidence that expertise, number of meeting frequency, and member size of the Sharia Supervisory Board (SSB) do not affect the level of corporate social responsibility disclosure.

Their results differed from the empirical research conducted by [34], [43] which revealed that the size of the Sharia Supervisory Board has an effect on Islamic social reporting. Based on the results of this study, it can be concluded that legitimacy theory is able to explain the effect of Islamic governance on the level of responsibility disclosure.

G. The Effect of Maqashid Sharia Index on Islamic Social Reporting

The influence of the maqashid sharia index on Islamic Social Reporting can be explained in the context of legitimacy theory. In legitimacy theory, it is explained that to be accepted by society, companies must fulfill social contracts through disclosure of economic, social, and political information [17], [28], [30]. Based on the theory of organizational socio-political legitimacy, it can be in the form of financial performance and the maqashid sharia index. Companies that have good financial performance and maqashid sharia index tend to be more in line with social norms through broader disclosure of social responsibility.

The results of the study of [36] found a positive effect of company performance on the level of corporate social responsibility disclosure. Supporting the study of [36], [39] found that the maqashid sharia index has a positive effect on the level of corporate social responsibility disclosure. The higher the maqashid sharia index, the greater the impact on corporate social responsibility reporting. Companies that perform well tend to express social responsibility at a higher level in order to gain the trust of the community so that they can maintain their performance in the future. Their results differed from those of [18], [42] who did not find the effect of company performance on the level of corporate social responsibility disclosure.

H. The Effect of Profitability on Islamic Social Reporting

The profitability of the company is related to the theory of legitimacy because if the profits obtained by large companies will get a wider disclosure of information. Companies with high returns on investment will use relatively small debt. If the company wants to live in order to grow and develop, the company must earn a profit.

Profitability is closely related to the effectiveness of a company's management in determining strategic steps to gain profit. Companies that have a higher level of profit will attract investors by providing better information to the public and other stakeholders by increasing social responsibility disclosure. This means that the higher the profitability, the wider the ISR disclosure will be. High profitability means that the company will be more flexible and free in managing profits to disclose social responsibility to stakeholders. [35], [36] prove that profitability has a positive effect on the level of social responsibility disclosure. Different results were found by [40] were the results of their study found no effect of profitability on the level of Islamic social reporting. The argument of [40] is that corporate social responsibility for sharia entities is a form of implementation of maqashid sharia so that sharia entities are still obliged to disclose their social responsibility regardless of the level of profitability it generates.

I. The Effect of Company Size on Islamic Social Reporting

The size of the company can be determined based on the total assets owned. Company size is an estimator variable in annual reports which is mostly used to explain various aspects of the company. The size of the company will influence the company's decision to disclose the information in the annual report. The ISR in the annual report is significantly related to the company size and the disclosure value is higher for large, well-performing companies [29].

[29], [45] revealed that company size has a significant effect on ISR disclosure. Companies that have high total assets will conduct a wider social responsibility disclosure than companies that have lower total assets because more sources of funds are used to carry out social responsibility activities. The results of this study are supported by the study of [40] who succeeded in confirming the effect of company size on the level of social responsibility disclosure from the perspective of sharia.

J. The Effect of Company Age on Islamic Social Reporting

Company age is associated with better performance and more experience so that it is able to reveal information in the form of broader corporate social responsibility [3]. The results of [29] found that company age has an effect on ISR disclosure because long-established companies will gain the trust of investors and also affect the company's financial statements so that companies have more information along with the company's development and company growth. In contrast, the results of the study by [3] did not find an effect of company age on social responsibility disclosure. This is because companies are accustomed to carrying out corporate social responsibility by using other media such as magazines and the internet [3].

K. The Effect of Islamic Governance on Maqashid Sharia Index

The regulation regarding the Sharia Supervisory Board (SSB) is regulated in Bank Indonesia Regulation No. 11/10/PBI/2009 where Article 11 states that the Sharia Supervisory Board (SSB) can concurrently be at the most at 4 other financial institutions [51]. The characteristics of the members of the Sharia Supervisory Board which include

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experience, expertise, and high professional and social networks show better performance. More and more members of the Islamic supervisory board will also increase the level of compliance of Islamic banks. In addition, better supervision will show a reduction in agency problems carried out by bank management. With the reduction of agency problems, the performance of maqashid Islamic banks will be better [24].

III. METHODOLOGY

This research is included in quantitative research because it uses quantitative data and uses statistical testing tools to test the research hypothesis. Based on the source or type of data, this study uses indirect research or uses secondary data in the form of financial reports and company annual reports. Secondary data sources can come from books and government publication journals with economic indicators, census data, statistical abstracts, media, and company annual financial reports [12]. Meanwhile, according to [25], secondary data is data that has been collected by data collection agencies and published to the data user community.

A. Research Variables

Islamic governance is governance that is implemented based on sharia principles. Islamic governance in this study is measured by several indicators which include:

a. Number of SSB members

According to Bank Indonesia Regulation No. 11 of 2009 states that the maximum number of SSB members is five people. Measurement of the variable size of the Sharia Supervisory Board is by writing the number of members of the Sharia Supervisory Board of each Islamic bank in Indonesia.

b. Concurrent positions as SSB members

Concurrent positions as members of the Sharia Supervisory Board are members of the Sharia Supervisory Board who perform more than one job apart from being SSB. Measurement of multiple SSB positions in this study was carried out by assigning a value of one to the Sharia Supervisory Board performing concurrent positions in accordance with Bank Indonesia regulations and giving a zero value to the Sharia Supervisory Board who carried out concurrent positions that were not in accordance with Bank Indonesia regulations.

c. The educational background of SSB members

Measurement of the educational background variable of SSB members is by giving a value of one to the Sharia Supervisory Board who has a doctoral background. Zero scores on the Sharia Supervisory Board with a non-doctoral educational background (only one, not both).

d. Number of SSB member meetings

The number of SSB member meetings in a year is calculated based on the realization of the frequency of SSB member meetings in a year.

In this study, the maqashid sharia index is defined as the level of achievement of the objectives of the Islamic entity. The goals to be achieved include tahdzibul fard (educating individuals), iqamah al-'adl (building justice), and maslahah (creating benefits). The main objective is individual education, in the sense that the Islamic entity must develop the knowledge, skills, and spiritual values of everyone in the company. Islamic entities must also provide information to all stakeholders that the products offered are in accordance with sharia principles. The second objective is to build justice, in the sense that Islamic entities should be honest in all transactions and business activities that are carried out. This second objective indicates that all contracts in Islamic banks must be free from unfair elements such as maysir (gambling), gharar (uncertainty), and usury. The third objective is to provide benefits, in the sense that Islamic entities should develop investment projects and services of a social nature to improve community welfare. This third objective can be seen from the amount of zakat issued by sharia entities and the amount of investment in the real sector [39]. In addition to zakat, waqf can also be included in this third objective because waqf has played a strong Islamic social financial instrument throughout Islamic history [44].

The profitability used in this study is profit before tax and return on assets (ROA). ROA is a financial ratio related to potential profit or profit at the level of income, assets, and share capital. The size of the company is seen from the total assets owned by the company, which can be used for the company's operational activities. If the company has large total assets, the management will be more flexible in using existing assets in the company. The company size indicator uses [6]. Company age is representative of the company period in the industry [29]. The age of the company can be measured from the length of time the company was established to date, measured in years.

Islamic social reporting is a disclosure of corporate social responsibility which is carried out based on Islamic sharia principles. This variable is measured through content analysis with the following scoring conditions:

a. Value 0 if there is no disclosure of the item in the annual report.
b. Value 1 if there is a disclosure of the item in the annual report.

If all items are disclosed by Islamic banks, the maximum value is 35. The calculation of the ISR disclosure index score in this study refers to the research of [36] where variable scoring is the number of items disclosed divided by the total number of items available multiplied by 100%.

B. Population and Sample

The population in this study are all Islamic banks in Indonesia. The sampling technique used was purposive sampling method. There are two criteria for sampling based on purposive sampling, namely (1) Islamic banks that publish annual reports in the 2015-2018 period; and (2) Data related to

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the measurement of profitability, company size, company age, and Islamic social reporting.

C. Method of Collecting Data

Data collected through the documentation method is quantitative data sourced from financial reports and annual reports for a period of 4 years starting from 2015-2018. Financial reports and annual reports are taken from the website of the Financial Services Authority and the websites of each Islamic bank.

D. Data Analysis Technique

The data analysis technique used in this study was Partial Least Square analysis with SmartPLS version 3.0 software. PLS is an alternative approach that shifts from a covariance-based to a variance-based SEM approach. Covariance-based SEM generally tests causality or theory, while PLS is more of a predictive model. PLS can also explain the relationship between variables according to [11], [14].

IV. RESULTS AND DISCUSSION

Based on the selected criteria, the research sample is 11 Islamic commercial banks that have complete financial statements and annual reports in the 2015-2018 period. The samples in this study were Bank Muamalat Indonesia, Bank Victoria Syariah, Bank BRI Syariah, Bank Jabar Banten Syariah, Bank BNI Syariah, Bank Syariah Mandiri, Bank Mega Syariah, Bank Panin Dubai Syariah, Bank Syariah Bukopin, Bank BCA Syariah, and Bank Maybank Syariah Indonesia.

A. Convergent and Discriminant Validity Test

Convergent validity testing is done by looking at the value of the outer loading of each research indicator. This study uses a rule of thumbs above 0.5 as a condition for each indicator to meet convergent validity. After eliminating some of the loading factor indicators below 0.5, the results of the second convergent validity test were obtained (Table 1). The second test results show that there are no indicators that have a loading factor below 0.5.

TABLE 1. CONVERGENT VALIDITY TESTING

	MSI	ISR	Firm Characteristics	Islamic Governance
X1.2				0.667
X1.3				0.856
X2.2	0.902			
X2.3	0.860			
X3.1			0.717	
X3.2			0.842	
Y1.1		0.594		
Y1.2		0.783		
Y1.3		0.869		
Y1.5		0.689		

Source: Author's elaboration

Discriminant validity testing is done by looking at cross loading. Based on Table 2, all variables have the highest correlation in themselves compared to the correlation on other variables so that the discriminant validity requirements in the measurement model are met. Maqashid Sharia Index variable has a value of 0.882, higher than the correlation with other variables, namely 0.405 (ISR), 0.175 (company characteristics), and 0.192 (Islamic governance).

TABLE 2. DISCRIMINANT VALIDITY TESTING

	MSI	ISR	Firm Charact.	Islamic Governance
Maqashid Sharia Index	0.882			
Islamic Social Reporting	0,405	0,741		
Firm Characteristics	0,175	0,559	0,782	
Islamic Governance	0,192	0,419	0,257	0,767

Source: Author's elaboration

B. Reliability Test

Reliability testing using cronbach alpha and composite reliability. Cronbach alpha and composite reliability were used to measure the reliability of the reflexive measurement model. The rule of tumbs in this study for the reliability test is 0.70. Based on the results of the reliability test, two variables were obtained, namely company characteristics and Islamic governance which had a score less than the rule of tumbs 0.70 (Table 3).

TABLE 3. RELIABILITY TESTING

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Maqashid Sharia Index	0.716	0.729	0.875	0.777
Islamic Social Reporting	0.723	0.778	0.827	0.549
Firm Characteristics	0.371	0.386	0.758	0.612
Islamic Governance	0.312	0.336	0.738	0.588

Source: Author's elaboration

C. Inner Model

R Square value of 0.75 indicates strong; 0.50 indicates moderate or 0.25 indicates a weak model. R Square (R^2) in the model with ISR as the dependent variable of 46.5% indicates that the model is in the moderate category, meaning that the Islamic Social Reporting variable can be explained in the research model by 46.5% and the remaining 53.5%. Model 2 with MSI as the dependent variable produces R^2 of 3.7% which indicates a weak model (Table 4).

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TABLE 4. HYPOTHESIS TESTING RESULTS

	Original Sample (O)	*T Statistics* (|O/STDEV|)	*P Values*
Islamic Governance → Islamic Social Reporting	0,246	1,474	0,141
Maqashid Sharia Index → Islamic Social Reporting	0,280	2,182	0,030
Firm Characteristics → Islamic Social Reporting	0,447	3,624	0,000
Islamic Governance → Maqashid Sharia Index	0,192	1,445	0,149

Source: Author's elaboration

D. *The Effect of Islamic Governance on Islamic Social Reporting*

According to Ningrum et al. (2013), the Sharia Supervisory Board (SSB) is tasked with ensuring whether a bank complies with the rules and complies with sharia principles. Based on hypothesis testing through SmartPLS 3.0, the results prove otherwise where the level of Islamic Governance has no effect on the level of disclosure of Islamic Social Reporting. This research shows that related to Islamic governance there are only 2 indicators that meet the validity and reliability test, namely multiple positions, and educational background. This concurrent position occurred in almost all Islamic banks during the study period. Likewise, there was a decline in the background of SSB members during the study period. The two other indicators, namely the number of SSB members and the number of meetings from the research results, do not meet the validity and reliability test so that they cannot be used in the hypothesis testing process.

With indications of the two characteristics of Islamic Governance, the results of the study show that the level of Islamic Governance does not affect the level of Islamic social reporting. The results of this study support the results of previous research conducted by [7], [23] which did not find the effect of SSB size on ISR disclosure in Islamic banks in Indonesia. Specifically, SSB was unable to play a role in disclosure. Islamic social reporting because SSB is still focused on its duties and responsibilities in the operational activities of Islamic banks, for example on new product approval, monitoring whether the contract is in accordance with sharia principles, and reviewing Islamic bank financial statements [23]. The results of this study are different from [34], [43] who found a positive effect of SSB size on ISR.

E. *The Effect of Maqashid Sharia Index on Islamic Social Reporting*

In the research, there are 2 indicators of the Maqashid Sharia Index (MSI) that meet the validity and reliability tests, namely justice and welfare. Conceptually it is stated that a high MSI score can have an impact on increasing disclosure related to ISR. This concept is in line with the theory of legitimacy, which states that Islamic banks must fulfill social contracts through disclosure of information in order to be accepted by the public. Islamic banks that perform well are not only financial performance, even including non-financial performance such as MSI, tend to disclose social responsibility at a higher level to gain the trust of the public.

The trend analysis shows that the two indicators (justice and benefit) are indeed more than the indicators of educating individuals (tahdzibul fard). However, among the three, the indicator of fairness is the best indicator produced by Islamic banks. In addition, the upward trend also occurs in indicators of equity. The second indicator after justice is the welfare indicator, but the welfare indicator tends to decrease at an insignificant level.

Based on hypothesis testing through SmartPLS Version 3.0, it is known that MSI represented by indicators of justice and benefit has a positive effect on the level of ISR disclosure. The results of the research prove empirically that Islamic banks that have a good performance in terms of justice and benefit have a tendency to better ISR disclosure. As previously informed, these findings are supported by the results of descriptive analysis. The average value of the Maqashid Sharia Index variable represented by indicators of justice and welfare has the best performance and has increased during the study period.

The results of this study support the study of [36], [39] who found that there was a positive influence on MSI's disclosure of ISR in Islamic banks in Indonesia. The better the Maqashid Sharia Index which is indicated by the higher the score for the MSI variable, the wider the social responsibility reporting carried out by Islamic banks. Islamic banks that have good performance tend to express higher social responsibility in order to gain trust from the public so that Islamic banks can maintain their performance in the future. However, the current findings differ from those of [18], [42] who did not find the effect of company performance on the level of corporate social responsibility disclosure.

F. *The Effect of Profitability on Islamic Social Reporting*

Based on hypothesis testing through SmartPLS 3.0, it can be proven empirically that ROA has a positive effect on ISR disclosure. The results indicate that Islamic banks that are able to manage funds in overall profit-generating assets will attempt to disclose ISR on a broader scale. This is a form of accountability to owners of capital for the funds that have been provided and to add value to Islamic banking.

Likewise, the results of this study are in line with the legitimacy theory in the relationship between profitability and

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ISR. Based on this theory, it is revealed that ISR disclosure can make the company more widely known by the wider community and can continue to grow. Therefore, this is one of the priorities for Islamic banks, especially a concern for Islamic banks that have performed well in terms of profitability through disclosure of social responsibility on a broader scale. The results of this study are supported by the analysis of previous trends which show that the ratio of profitability, company size, and company age has increased during the study period. Performance conditions that are getting better from year to year have contributed to the increasingly widespread disclosure of social reporting.

The results of this study are in line with the study of [16], [29], [35]-[36], as well as [26] who also found a positive effect of profitability on ISR disclosure in Islamic bank in Indonesia. However, the results of the current study differ from those of [40] were the results of their study found no effect of profitability on the level of Islamic social reporting.

G. *The Effect of Company Size on Islamic Social Reporting*

Company Size will influence banking decisions to disclose information in the annual report. This is also in line with the stakeholder theory where if the total assets and total income of large Islamic banks are then allocated to carry out extensive Islamic Social Reporting disclosures, it will have a major impact on stakeholders. Stakeholders will continue to improve their performance in order to obtain assets and increasing income.

Based on hypothesis testing through SmartPLS Version 3.0, empirical evidence is obtained that company size has a positive effect on the level of disclosure of Islamic Social Reporting. Research proves empirically that Islamic banks that have high total assets will disclose Islamic Social Reporting widely compared to Islamic banks that have low total assets because more sources of funds are used to disclose Islamic Social Reporting. This is supported by the results of descriptive analysis, where the average value of total assets has increased from 2015-2018 and the ISR variable which is represented by 5 indicators also has an increased average value from 2015-2018.

The results of this study support [29], [36], [45], [40] who found a positive influence on company size on ISR disclosure in Islamic banks in Indonesia. Islamic banks that have high total assets tend to conduct wider ISR disclosures because more resources are available.

H. *The Effect of Islamic Governance on Maqashid Sharia Index*

Based on agency theory, it is stated that good governance can improve company performance due to the presence of appropriate control mechanisms. The control mechanism in this study used SSB characteristics. The better the SSB in carrying out operational supervision of Islamic banks in compliance with sharia principles, the better the performance of Islamic banks can be, both in financial performance and in the form of maqashid sharia index.

The results showed that there are two indicators of Islamic governance that meet the validity and reliability test, namely multiple positions, and backgrounds of SSB members. There is a tendency of underperformance in the two indicators in Islamic banks. This condition causes the role of SSB to be unable to increase the maqashid sharia index.

The results of the study states that the small number of concurrent positions of SSB members results in the performance of SSB members who are more focused and professional in sharia supervision. The minimum number of concurrent positions for SSB members is expected to improve the performance of SSB supervision so that agency problems can be suppressed and, in the end, can improve the performance of Islamic banks. The results of the study contradict the statement of [24] which states that SSB holds multiple positions or does not have the same quality level.

V. CONCLUSION

This study proves the importance of the role of the maqashid sharia index in improving Islamic social reporting at Islamic banks in Indonesia. Islamic banks, which have a high maqashid sharia index, tend to produce social reporting on a broader scale. The high index of maqashid sharia is indicated by increasing the attention of Islamic banks to aspects of justice and benefit, so that it has a positive impact on the disclosure of their social responsibility. In addition, this study also succeeded in proving the effect of firm characteristics on Islamic social reporting. The higher the level of profitability and the size of the company owned by a Islamic bank, the impact on the increase in social reporting disclosed by Islamic banks. Another interesting finding from this study shows that the role of the Sharia Supervisory Board is ineffective in influencing the level of social reporting disclosed by Islamic banks. Likewise, the Sharia Supervisory Board variable does not affect the maqashid sharia index. This is because there are only two indicators that meet the validity and reliability requirements, namely multiple positions and educational background.

One of the limitations of this study and an area that arises for future research is that the influence of the aspect of educating individuals as part of the maqashid sharia index on Islamic social reporting was not investigated in this research. Future research can use other indicators to measure Islamic governance in order to better test the maqashid sharia index.

This study has very important practical implications for Islamic banks. The maqashid sharia index increases Islamic social reporting with aspects of justice and benefits so that Islamic banks must design and implement programs that are in line with the increase in the maqashid sharia index. In addition, Islamic banks must increase profitability and firm size in order to expand Islamic social reporting.

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Analysis of Factors Affecting Community Interest in Bengkalis Regency Riau Province Indonesia in Using Sharia Banking

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Abstract— ***This study aims to find what are the biggest factors that make the people of the Bengkalis Regency choose Islamic banking to conduct financial transactions. The research was made using SEM AMOS quantitative data analysis to see in more detail and more detail what are the biggest factors in choosing Islamic banking in Bengkalis Regency. This research is also assisted by the Theory of Planned Behavior (TPB) from Ajzen which explains the four main variables in analyzing the data, the four variables are (1) Attitudes, (2) Subjective Norms, (3) Perceived Behavioral Control, and (4) Interests. Each variable has several questionnaire questions, where all of them are 17 questions. From the results of the study using the SEM AMOS, it was found that all the questionnaire questions used had a value above 50 percent, of which the highest value was 90%, the people of Bengkalis Regency chose Islamic banking to transact because of suggestions from relatives. Hopefully, in the future, there will be other researchers who research Islamic banking in Bengkalis Regency, Riau Province.***

Keywords: The Theory of Planned Behavior, SEM AMOS, Islamic Banking, Factors

I. Introduction

The development of Islamic banking in Indonesia has become a benchmark for the success of the existence of the Islamic economy. Bank Muamalat Indonesia as the first Islamic bank and a pioneer for other Islamic banks, has already implemented this system amid the proliferation of conventional banks. The monetary crisis that occurred in 1998 had drowned conventional banks and many were liquidated due to the failure of the interest system. Meanwhile, banks that implement the sharia system can exist and survive [5] [1] [36].

Not only that, amid the global financial crisis that hit the world at the end of 2008, Islamic financial institutions have again proven their resilience from the crisis. Islamic financial institutions remain stable and provide benefits, comfort, and security for their shareholders, securities holders, financing customers, and customers depositing funds in Islamic banks [12] [2].

Besides the success of Bank Muamalat Indonesia into the crisis that occurred in 1998 through giving the improved appearance and not receiving some support from the government and in the 2008 financial year crisis, Bank Muamalat Indonesia was even able to make income profit Rp. 300 billion more [35].

Based on Law No. 12 of 1956 (State Gazette No. 25 of 1956), Bengkalis Regency with its capital city Bengkalis is led by a District Head of Level II. Bengkalis Regency is the number one largest district in Riau Province (Statistik, 2021).

Riau Province itself is one of the richest provinces in Indonesia. His wealth includes the results of mining oil, coal, forests, plantation products such as oil palm, rubber, marine, and river products, and so on. Meanwhile, the contribution of Riau Province to the center every year is almost 59.6 trillion [7] [8] [9].

Riau Province is one of the mainstay provinces for state treasury income. One of them, for oil alone Riau contributes about 50% of national production. Riau is among the three richest provinces in Indonesia with an income of 3.7 trillion, behind West Java (5.2 trillion) and East Java (4.3 trillion) [33].

Bengkalis in the past played an important role in history. Based on existing folklore, starting in 1645, Bengkalis was only a fishing village. Based on historical sources, in 1678, this area became a meeting place for Malay, Javanese, Arab traders who brought their wares along with traders from Palembang, Jambi, Indragiri, Aceh, Kedah, Perak, Kelong, Johor, Penang, Farmers. , Siam, Cambodia, Kocin, Chinese and Minangkabau people inhabit Sumatra and come there to take salt, rice, and also fish (*terubuk*) which is mostly caught by the Straits people [16] [23].

Based on a report from the Central Statistics Agency, the Islamic banking industry in Bengkalis Regency is still quite low when compared to other sectors. From the data above, it can be explained that mining and quarrying are still the main sector in Bengkalis Regency wherein 2020 it will reach 9,280,895. Meanwhile, the financial services sector (including banking) was only 36,333.

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Seeing the development of Islamic banking, which is getting better from year to year, the Riau Provincial Government has made a good enough master plan so that the literacy and inclusion index of the people of Riau Province increases from the previous year. So, in 2020 the Riau Kepri Regional Development Bank (BPD) has planned to convert the Riau Kepri Bank into a Sharia Riau Kepri Raiu Bank.

Bank Riau Kepri (BRK) is ready to convert into a sharia commercial bank. Several processes are being carried out in collaboration with the Riau Province Financial Services Authority before officially submitting to the Directorate of Sharia Bank Licensing and Regulation (DPPS) OJK Head Office in Jakarta.

The conversion of BRK into a sharia bank is the decision of the BRK Shareholders [25]. However, OJK asked the Board of Directors to conduct studies and surveys to ensure that the converted BRK can later grow and develop properly. The conversion must also be supported, especially by the people of Riau and Riau Kepri. Including support from existing customers, both funding customers and financing customers.

BRK as the host in Riau and the Riau Archipelago is expected to do well to be able to become an accelerator in encouraging the acceleration of economic growth in the two provinces which have slumped as a result of the Covid-19 pandemic.

As of January 2021, BRK recorded total assets of Rp 26.6 trillion. Profit was recorded at Rp 7.6 billion. As of the third quarter of 2020, BRK's core capital was recorded at Rp 2.8 trillion and the Return on Equity ratio of 19.21 percent, and the Loan to Deposit Ratio (LDR) of 83.75 percent [3].

According to the financial report of UUS BPD Riau Kepri, the total assets of UUS as of June 2020 were IDR 3.3 trillion with a profit of IDR 41 billion. Gross Non-Performing Financing (NPF) was 2.78 percent and Financing to Deposit Ratio (FDR) was 98.05 percent [3] [20].

Seeing the development of Bank Riau Kepri in Riau Province, this research it will easily have an impact on Bengkalis Regency because Bengkalis is one of the districts with the largest shareholder in this regional bank.

Hither the author tries to see and examine whence the people from Bengkalis Regency prefer Islamic banking to direct activities. Besides needing to see what factors increase the Bengkalis community to accomplish at Islamic bank.

TABLE 1. BENGKALIS REGENCY ECONOMIC STRUCTURE CHART

Data	2015	2016	2017	2018	2019	2020
Agriculture, Forestry and Fisheries	5	7	8	9	8	1332568
Mining and excavation	80	73	69	66	68	9280895
Processing industry	8	10	11	12	11	1865822
Electricity and Gas Supply	0	0	0	0	0	3742
Water Supply, Waste Management, Waste and Recycling	0	0	0	0	0	1491
Construction	2	2	2	2	2	425380
Wholesale and Retail Trade	3	5	5	5	5	923580
Transportation and Warehousing	0	0	0	0	0	37024
Provision of Accommodation and Food and Drink	0	0	0	0	0	38229
Information and Communication	0	0	0	0	0	48784
Financial Services and Insurance	0	0	0	0	0	36333
Real Estate	0	0	0	0	0	40037
Company Services	0	0	0	0	0	532
Corporate Administration, Defense and Social Security Mandatory	1	0	0	0	0	117986
Education Services	0	0	0	0	0	43104
Health Services and Social Activities	0	0	0	0	0	12231
Other Services	0	0	0	0	0	37333

Source: Central Bureau of Statistics of Bengkalis Regency

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II. Literature review

Theory of Planned Behavior or TPB is a further development of the Theory of Reasoned Action. TPB is a conceptual framework that aims to explain the determinants of certain behavior. According to Ajzen (1991), the central factor of individual behavior is that behavior is influenced by individual intentions (behavior intention) towards that particular behavior. Intention to behave is influenced by three components, namely (1) attitude, (2) subjective norm, and (3) perceived behavior control [10] [11].

A person may have various kinds of beliefs about behavior, but when faced with a particular event, only a few of these beliefs arise to influence behavior. It is these few beliefs that stand out in influencing individual behavior [16] [10].

These prominent beliefs can be divided into first, behavior beliefs, namely individual beliefs about the results of behavior and evaluation of these results. Behavioral beliefs will affect attitudes toward behavior [4].

The second is normative belief, namely the individual's belief in the normative expectations of others who become his reference such as family, friends, and tax consultants, as well as the motivation to achieve these expectations. This normative expectation forms the subjective norm variable for a behavior [16].

The third is control belief, namely the individual's belief about the existence of things that support or hinder his behavior and his perception of how strongly these things affect his behavior [29]. Control belief forms the perceived behavior control variable [16]. In TPB, attitudes, subjective norms, and perceptions of behavioral control are determined through key beliefs. The determinant of a behavior is the result of an assessment of the beliefs of the individual, either positively or negatively.

Theory of Planned Behavior or TPB is based on the assumption that humans are rational beings and use the information that is possible for them systematically [10]. People think about the implications of their actions before they decide whether or not to perform certain behaviors.

According to [3], there is a basic assumption that has been misunderstood so far, namely, that the majority of the Muslim community has so far been possessed by the usury virus and at the same time deeply appreciates secularism, especially in the financial aspect [27]. As a result, there are always excuses raised to evade the invitation to return to Islamic teachings purely and consistently. This does not only happen among the relatively ordinary people but also among those who are quite familiar with the provisions of fiqh and sharia.

From there it can be understood that the preferences and orientation of society, in general, is profit (profit-oriented), regardless of the source of income, halal or haram. They will be happy and feel lucky if their wealth increases, even if it is a vanity way, whether they realize it or not.

Regarding the picture of the public's reluctance to access Islamic banking products and services, it can be seen from the view of [13] [30]. He explained that the rapid development of the Islamic economy does not mean a happy development. This is evidenced by the emergence of understandings and expressions from several groups, such as Islamic banks are no different from conventional banks, borrowing from Islamic banks or Baitul Mal wat Tamwil (BMT) is more expensive than conventional banks or financial institutions.

Issues that tend to be negative like that should not be responded to with words that are counter-attacking. However, it should be used as a trigger to prove that Islamic banks will become an alternative financial institution for the people [37].

Because, according to [22], people do not understand what Islamic banks or Islamic banks are. They think that Islamic banks are only interest-free banks, but that's not all. Islamic banks are banks built on justice. And, among the ideals of establishing a sharia bank is to create justice, prosperity, welfare, and benefit for the entire Indonesian nation, this was conveyed by [32].

About the benefit (*maslahah*) itself, from a legal perspective its existence is very decisive in addition to carrying values, benefits, uses, for humans in their lives, it also means that it will prevent humans from all forms of harm, misguidance, and freezing [39] [14].

Islamic banks exist other than as commercial financial institutions, the purpose of which is to uphold justice, prosper, prosper, and create benefits for the people should be manifested from the vision and mission that have been formulated. The social welfare aspect must be a priority compared to profit-oriented goals.

For the sake of creating justice, prosperity, welfare, and benefit for the people that we need Islamic banks that are light-handed and generous in terms of sharing with people who are not so lucky in navigating life, such as the poor. So that the pure ideals of the establishment of Islamic banks are realized and have a special place in the hearts of the people [22] [28].

The operations of Islamic Banks (Islamic Banks) are not much different from conventional banks (commercial/general banks), namely as intermediary institutions. Islamic banks act as intermediary institutions between units of community groups or economic units that experience excess funds and other units that experience shortages of funds. Through the bank, the excess funds can be channeled to parties in need and provide benefits to both parties [5] [9] [24] [31].

Interest-based banks carry out this role through their activities as borrowers and lenders. Fund owners are interested in depositing funds in the bank based on the promised interest rate [26]. Similarly, banks provide loans to parties who need funds based on their ability to pay a certain interest rate. The relationship between a bank and its customers is the relationship between creditors and debtors [15].

In contrast to conventional banks, the relationship between Islamic banks and their customers is not a relationship between debtors and creditors, but a partnership relationship between funders and fund managers. Therefore, the profit level of

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Islamic banks not only affects the level of profit-sharing for shareholders but also affects the profit-sharing that can be given to customers who deposit funds [34] [18]. Thus, the ability of management to carry out its function as a treasurer, a good entrepreneur, and an investment manager will greatly determine the quality of his business as an intermediary institution and its ability to generate profits [17].

III. METHODOLOGY

The research area covers Bengkalis Regency, Riau Province, Indonesia with the criteria that Islamic banks are operating. The sample of this study consisted of four clusters: namely conventional bank customers, sharia bank customers, conventional and sharia bank customers, and non-customers. The population of the Bengkalis Regency is 543,987 people [8] [6]. Sampling in this study with probability sampling technique using the Slovin formula produced 100 respondents. The design of the research questionnaire includes aspects of demographics, banking service usage activities, and consumer behavior. The demographic aspect consists of [19]:

(1) Gender;
(2) Age;
(3) Religion;
(4) Education;
(5) Job.

The activity of using banking services uses the Theory of Planned Behavior (TPB) from Ajzen [10]:
(1) Attitudes;
(2) Subjective Norms;
(3) Perceived Behavioral Control;
(4) Interest.

Indicators of consumer behavior aspects are measured using 5 point likert scale:
1 = Strongly Disagree;
2 = Disagree;
3 = Neutral;
4 = Agree;
5 = Strongly Agree.

Analysis of people's attitudes and behavior in choosing Islamic banks, used descriptive statistical analysis in the form of cross tabulations, graphs, averages, and frequencies, while behavioral aspects consumers and perceived quality were analyzed using factor analysis.

Structural Equation Model Models (SEM) are statistical techniques that allow the simultaneous testing of a relatively complex series of relationships (Barbara, 2016). Complex relationships can be built between one or several dependent variables with one or more independent variables. There may also be a variable that has a dual role, namely as an independent variable in a relationship, but becomes a dependent variable in another relationship given the existence of a tiered causality relationship.

The questionnaires that have been collected were analyzed using AMOS which has a structured problem and is used to test the hypothesis model. This is due to the ability to estimate known coefficients from structural linear equations, accommodating the model as latent variables, accommodate measurement errors in the dependent and independent variables, accommodate simultaneous reciprocal warnings and interdependencies.

According to Imam [21] SEM has several stages, including:
(1) collect all information from the literature review;
(2) scientific reports, results of previous research;
(3) and reports related to research to formulate theories of causality

TABLE 2. LIST OF RESEARCH VARIABLES

Construct	Indicator	Code
Attitudes	Interested	X1
	Sure	X2
	Guaranteed and reliable	X3
	The right choice	X4
Subjective Norms	Parent's advice	X5
	Sibling advice	X6
	Relatives advice	X7
	Friend's suggestion	X8
Perceived Behavioral Control	Peace of mind	Y1
	According to Islam	Y2
	Safety in the afterlife	Y3
	Get blessings and rewards	Y4
	Get the best service	Y5
Interest	Possibility	Y6
	Planned	Y7
	Committed	Y8
	Affordable Location	Y9

Source: Author elaboration

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IV. RESULTS

From the results of data analysis that the researchers did use SEM AMOS, it can be explained in general that the four variables used by the researchers have one of the largest loading factors of the four variables. The variables used by the researchers used the Theory of Planned Behavior (TPB) from Ajzen. The variables in question are presented in Table 3.

TABLE 3. VARIABLES USED IN RESEARCH

No	Variables	Code	
1	Attitudes	X1, X2, X3, X4	e
2	Subject	X5, X6, X7, X8	d
3	Perceived	Y1, Y2, Y3, Y4, Y5	f
4	Interest	Y6, Y7, Y8, Y9	g

Source: Author elaboration

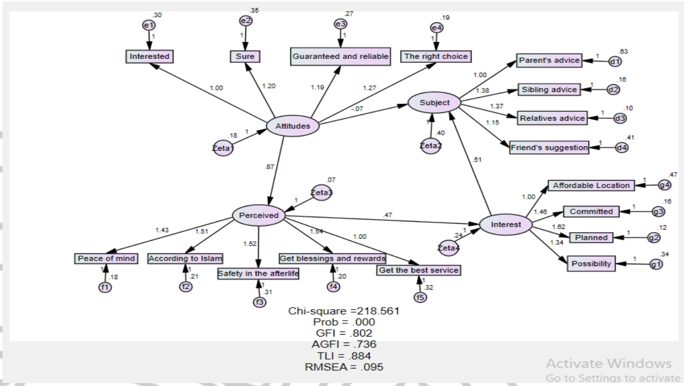
From the table above, it can be explained that the four variables can be further divided into various kinds of questions, where 17 questions have been made by researchers which are distributed through Microsoft Form.

TABLE 4. PROFILE OF RESPONDENTS

Classification basis	Sub-classification	Total	Percentage
Gender	Men Woman	35 55	35 % 55 %
Age	Under 18 18-24 25-34 35-44 45-54 55-64 65+	2 46 34 9 5 2 2	2 % 46 % 34 % 9 % 5 % 2 % 2 %
Education	SMA/SMK Diploma S1 S2/S3 Others	43 9 32 16 0	43 % 9 % 32 % 16 % 0
Profession	Government employees Private employees Lecturer Student Entrepreneur Others	11 5 13 45 9 17	11 % 5 % 13 % 45 % 9 % 17 %

Source: Author elaboration

FIGURE 1. CONVERGENT VALIDITY TESTING



Source: Author elaboration

A. Validity test

Validity testing can be seen from the loading factor value. Based on the AMOS output, this value can be seen in the path diagram or AMOS output at Estimates scalars > standardized regression weights. An indicator is said to be valid if the loading factor is greater than 0.5. Based on Table 4, the Subject <---Attitudes indicator is declared invalid because its value is less than 0.5, so it must be re-estimated by eliminating Subject <---Attitudes.

TABLE 5. REGRESSION WEIGHTS: (GROUP NUMBER 1 – DEFAULT MODEL)

			Estimate
Perceived	<---	Attitudes	.869
Interest	<---	Perceived	.469
Subject	<---	Attitudes	-.070
Subject	<---	Interest	.511
X1	<---	Attitudes	1.000
X2	<---	Attitudes	1.204
X3	<---	Attitudes	1.186
X4	<---	Attitudes	1.270
Y5	<---	Perceived	1.000
Y4	<---	Perceived	1.544
Y3	<---	Perceived	1.517
Y2	<---	Perceived	1.509
Y1	<---	Perceived	1.428
X5	<---	Subject	1.000
X6	<---	Subject	1.382
X7	<---	Subject	1.370
X8	<---	Subject	1.148
Y9	<---	Interest	1.000
Y8	<---	Interest	1.458
Y7	<---	Interest	1.623
Y6	<---	Interest	1.337

Source: Author elaboration

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Based on the re-estimation results as shown in table 4, it turns out that the loading factor of all indicators is not smaller than 0.50. Thus, all indicators are declared valid, and the model evaluation process can be continued

B. SEM Assumption Test

Testing the normality of the data is carried out using the criteria for the critical ratio skewness value of ± 2.58 at a significance of 10%. The data is said to be normally distributed if the critical ratio skewness value kurtosis value is below the absolute value of 2.58 and can be rounded up to 3. In general, the value of c.r. skew and c.r. kurtosis is in the range of -3 to 3 so it can be stated that this data has met the assumption of normality.

TABLE 6. NORMALITY TEST

Variable	min	max	skew	c.r.	kurtosis	c.r.
Y6	1.000	5.000	-.499	-2.038	.106	.217
Y7	1.000	5.000	-.462	-1.884	-.039	-.080
Y8	1.000	5.000	-.468	-1.910	-.054	-.111
Y9	1.000	5.000	-.695	-2.837	.400	.817
X8	1.000	5.000	-.198	-.809	-.509	-1.039
X7	1.000	5.000	.146	.595	-.367	-.750
X6	1.000	5.000	.117	.478	-.497	-1.014
X5	1.000	5.000	-.120	-.489	-.593	-1.211
Y1	2.000	5.000	-.927	-3.786	.066	.135
Y2	2.000	5.000	-.974	-3.976	.068	.138
Y3	1.000	5.000	-.960	-3.920	.593	1.211
Y4	2.000	5.000	-.601	-2.455	-.499	-1.018
Y5	2.000	5.000	-.482	-1.967	.195	.398
X4	2.000	5.000	-.469	-1.915	-.188	-.383
X3	2.000	5.000	-.376	-1.537	-.498	-1.017
X2	2.000	5.000	-.143	-.585	-1.031	-2.105
X1	3.000	5.000	-.241	-.982	-.925	-1.888
Multivariate					78.611	15.464

Source: Author elaboration

From the research results in Figure 1, it can be explained that:

1. The greatest attitude is X4, meaning that the people of the Bengkalis Regency choose Islamic banks because they are one of the right choices. Where there are 60% who choose X4 as the biggest factor of the attitudes of the Bengkalis community respondents.
2. The largest subject is X7, meaning that the people of Bengkalis Regency choose Islamic banks because of the advice of relatives (uncles, aunts, cousins). Where there are 90% who choose X7 as the biggest factor of the respondents of the Bengkalis community.
3. The largest perceived is Y4, meaning that the people of Bengkalis Regency choose sharia banks because of getting blessings and rewards. Where there are 71% who choose Y4 as the biggest factor of the Bengkalis Regency community's perceived respondents.
4. The greatest interest is Y7, meaning that the people of Bengkalis Regency choose Islamic banks because they are Planned. Where there is 86% plan to start using Islamic financial institutions within the next 1 year.

Statistical test of processing results with SEM is carried out by looking at the significant level of the relationship between variables is shown through the critical ratio (c.r) and the significance probability value of each relationship between variables. The following is the output of the research hypothesis testing table using the AMOS test tool in the form of Regression Weights output as shown in the following table:

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TABLE 7. REGRESSION WEIGHTS

			Estimate	S.E.	C.R.	P	Label
Perceived	<---	Attitudes	.869	.194	4.485	***	par_15
Interest	<---	Perceived	.469	.152	3.091	.002	par_16
Subject	<---	Attitudes	-.070	.194	-.362	.717	par_14
Subject	<---	Interest	.511	.169	3.016	.003	par_17
X1	<---	Attitudes	1.000				
X2	<---	Attitudes	1.204	.237	5.082	***	par_1
X3	<---	Attitudes	1.186	.224	5.290	***	par_2
X4	<---	Attitudes	1.270	.222	5.718	***	par_3
Y5	<---	Perceived	1.000				
Y4	<---	Perceived	1.544	.233	6.614	***	par_4
Y3	<---	Perceived	1.517	.245	6.180	***	par_5
Y2	<---	Perceived	1.509	.231	6.528	***	par_6
Y1	<---	Perceived	1.428	.216	6.605	***	par_7
X5	<---	Subject	1.000				
X6	<---	Subject	1.382	.178	7.751	***	par_8
X7	<---	Subject	1.370	.172	7.943	***	par_9
X8	<---	Subject	1.148	.169	6.808	***	par_10
Y9	<---	Interest	1.000				
Y8	<---	Interest	1.458	.211	6.910	***	par_11
Y7	<---	Interest	1.623	.234	6.922	***	par_12
Y6	<---	Interest	1.337	.213	6.288	***	par_13

Source: Author elaboration

From the table, whether the effect of significance or whether or not is known from the P-value. The significance (alpha = = α) used is 0.05. If the P-value is less than 0.05.

The estimated parameter value of the standardized regression weight coefficient between Attitude and Perceived is 0.869, testing the relationship between the two variables shows a probability value of 0.000 ($p < 0.05$) from the estimated value of 0.00, thus H1 is supported because there is a significant positive relationship between Attitude and Perceived. This is reinforced by the results data processing that shows a probability value of 0.00 has met the requirements <0.05 and the positive direction is seen from the estimate 0.869, so it can be concluded that Attitude has a significant positive effect on the Perceived, so that the higher the Attitude of the community, the higher the Perceived.

TABLE 8. NOTES FOR MODEL

Number of distinct sample moments	153
Number of distinct parameters to be estimated	38
Degrees of freedom (153 - 38)	115

Minimum was achieved
Chi-square = 218.561
Degrees of freedom = 115
Probability level = .000

With the number of samples N = 100, the total number of covariant data is 153 while the number of parameters to be estimated is 38. From these results, the resulting degrees of freedom are then the hypothesis is accepted. The results of the hypothesis of the influence between variables can be seen in the following table:

TABLE 9. HYPOTHESIS TEST RESULTS

No	Hypothesis	P	Limit	Information
1	The Influence of Attitude on Perceived	***	<0.05	There is influence
2	Perceived Influence on Interest	.002	<0.05	There is influence
3	Influence of Attitude on Subject	.717	>0.05	No influence
4	Effect of Interset on Subject	.003	<0.05	There is influence
5	Effect of Attitude on interest			
6	The Influence of Attitude on Sure	***	<0.05	There is influence
7	Effect of Attitude on Guaranteed and reliable	***	<0.05	There is influence
8	Influence of Attitude on the right choice	***	<0.05	There is influence
9	Influence of Subject on parents advice			
10	Influence of Subject on sibling advice	***	<0.05	There is influence
11	Influence of Subject on Relatives Advice	***	<0.05	There is influence
12	Influence of Subject on friends suggestion	***	<0.05	There is influence
13	Influence of Perceived on Peace of mind	***	<0.05	There is influence
14	Perceived influence on according to Islam			
15	Perceived influence on safety in the afterlife	***	<0.05	There is influence
16	Effect of Perceived on Get blessings and rewards	***	<0.05	There is influence
17	Perceived influence on get the best service	***	<0.05	There is influence
18	Effect of Interest on the possibility			
19	Effect of Interest on Planned	***	<0.05	There is influence
20	Effect of Interest on Committed	***	<0.05	There is influence
21	The Effect of Interest on Affordable	***	<0.05	There is influence

Source: Author elaboration

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153 - 38 = 115, because 115 > 0 (positive df) and the sentence "minimum was archived", then the process of testing the maximum likelihood estimation has been carried out and the estimation is identified with the data results normally distributed.

TABLE 10. MODEL FIT TEST CRITERIA

Goodness of Fit Index	Expected value	Results in models	Information
Chi-Square	Expected small	0.000	Fulfill
Probability	≥ 0.05	-	-
GFI	≥ 0.90	1	Fulfill
AGFI	≥ 0.90	0.222	Not fulfill
NCP	Expected small	0.000	Fulfill
CFI	≥ 0.90	1	Fulfill
RMSEA	≤ 0.08	0.095	Not fulfill
RMR	< 0.05	0.000	Fulfill

Source: Author elaboration

V. CONCLUSION

From the results of the analysis using the AMOS SEM above, it can be concluded that:

1. This study uses the Theory of Planned Behavior (TPB) from Ajzen, which explains that there are four variables with 17 questionnaire questions. The four variables are (1) Attitudes, (2) Subjective Norms, (3) Perceived Behavioral Control, and (4) Interest.
2. The Attitude variable has the greatest value, which is 60 % of the question "*I believe using the services of a sharia financial institution is the right choice*".
3. The Subject variable that has the greatest value is 90% of the question "*Usually I use the services of Islamic financial institutions because I follow the advice of relatives (uncle, aunt, cousin)*".
4. The Perceived Behavioral Control variable has the greatest value, which is 71% of the question "*I believe using Islamic financial institutions will get blessings and rewards*".
5. The variable interest that has the largest value is 86% of the question "*I plan to start using Islamic financial institutions within the next one year*".

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Exploring sustainability from the Islamic finance perspective

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Abstract— **The article explores a sample of papers on Islamic finance and sustainability to define some streams of literature on this topic. The paper aims to validate whether it is possible to interpret the multitude of contributions in three different research streams that consider environmental, economic, and social sustainability. The research conducts a structured literature review on 73 articles extracted from Scopus. Additionally, the bibliometric analysis revealed the descriptive statistics on this field and the main themes through the authors' keywords. The different perspectives showed the multicultural nature of the topic, which is not only addressed by Islamic countries. Moreover, it made it possible to find correspondence in the theorization underlying the article and to categorize the topics covered by the authors.**

Keywords: Islamic finance, Sustainability, Environmental Sustainability, Economic sustainability, Social sustainability, Literature review, Bibliometric analysis

I. Introduction

The Islamic banking system is based on notions of social virtue, good governance, care for the environment and ethical behaviour of individuals and organisations by Islamic ontological and epistemological principles [1], [2]. The rules of Islamic finance guide the Islamic banking and financial system and are known as Shariah principles, or Maqasid al-Shariah [3], [4]. According to Saeed et al. (2020) [5], the basis of these rules is two fundamental concepts that separate Islamic banking from conventional banking: profit and loss sharing, prohibition of interest and other prohibited elements. Indeed, the literature considers Islamic finance a parallel system that allows greater understanding and experience of the conventional financial system [6]. Therefore, the long-term growth and sustainability of the sector depend, on the one hand, on how Islamic finance interacts with the conventional system and benefits from complementing and augmenting it. On the other hand, Islamic finance adapts and adheres to international rules and supervision while remaining aligned with the complexities and subtleties of Islamic finance products and associated risks. As a result, the unique qualities of Islamic finance through the proper flexibility and without sacrificing shariah principles, the focus on sustainability appears crucial for the growth of the industry and a hopeful future.

According to Keeble (1988) [7], sustainability is a process of economic development, environmental protection and social equality. Mainly, sustainability is also defined as the method by which companies manage the financial risk, environmental risk, and social risk of business, as well as their duties and possibilities. Thus, sustainability has three main economic, environmental, and social components.

The sustainability disclosure percentage of Islamic banks in South-East Asia was only 26% [8]. Furthermore, other authors [9] found that in the United Arab Emirates, sustainability disclosure of Islamic banks was relatively low compared to conventional banks. Further studies explored 91 Islamic institutions in 13 countries, revealing that Islamic banks paid less attention to sustainability practices and disclosure [10]. Moreover, Dhuizii [11] investigated 14 Islamic banks from 14 countries for poor sustainability and disclosure practices. In addition, literature has shown that sustainability policies and disclosure of Islamic banks in seven Muslim nations are not the main issues for Islamic banks in those countries [12].

In terms of sustainability, Islamic banks use two primary models in their banking operations: institutional and welfare methods. According to Mansour et al. (2020) [13], the institutional approach increases the bank's stakeholders' wealth. The well-being approach seeks to achieve Maqasid Al-Sharia by improving people's well-being. Therefore, as a result, it is possible to say that sustainability is related and vital to the concept of Islamic banking.

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The United Nations brought attention to sustainability globally by introducing the Sustainable Development Goals (SDGs) [14]. The 17 measures to promote sustainable development provide an excellent opportunity to encompass many areas of sustainable development research. Furthermore, the United Nations and its member countries' commitment to achieving the SDGs by 2030 has added a sense of urgency to the need to do quality research on sustainability, providing valuable results for managers and policymakers [15].

Following Salam Gateway's report [16], the Islamic financial system has grown tremendously over the past four decades. It is currently considered one of the fastest-growing segments of the global financial system. The $2.2 trillion global Islamic finance sector is expected to grow 10%-12% over the 2021-2022 period, driven by increased Islamic bond issuance and a modest economic recovery in key Islamic finance markets. Research by Jan et al. [17] found that Iran, Saudi Arabia, Malaysia, United Arab Emirates, Kuwait and Qatar are the leaders in the Islamic banking market, holding around 85% of the world's Islamic banking assets. Turkey, Indonesia, Bangladesh, and Pakistan are the second-largest Islamic banking nations globally. While Brunei, Egypt, Oman, Bahrain, and Sudan are the nations with the smallest percentage of the global Islamic banking industry.

According to Jan, et al. [18], the link between sustainability practices and financial performance from an Islamic perspective in Malaysia from 2008 to 2017, and the results revealed that sustainability practices had a strong positive association with the financial performance of Islamic banks. Furthermore, the low incidence of sustainability practices and reporting in the Islamic banking sector is most likely due to a lack of sustainability literature in the Islamic banking sector and inadequate frameworks to measure activities. Therefore, this study aims to investigate Islamic finance from a sustainability perspective through a bibliometric analysis to define key research streams through keyword analysis and topic dendrogram. Additionally, it explores relationships between authors dealing with Islamic finance and sustainability from a geographical perspective.

A bibliometric analysis of the existing literature makes it possible to determine a business model's characteristics and basic features, whether it is related to production or service delivery [19]. Furthermore, the lower riskiness of Islamic banks compared to conventional banks is due to the absence of interest from the Islamic banking sector [20], [21]. Although there are bibliometric analyses that define Islamic finance and sustainable development [22], sustainability in social finance [23], [24] and mapping WAQF research [25], none of these research defining it considering three components such as economic, environmental and social perspective [7]. Therefore, our study aims to answer the following research questions:

RQ1. What is the descriptive bibliometric information on Islamic finance and sustainability publications?

RQ2. When analyzed from an economic, environmental, and social perspective, what elements do the keywords highlight?

We followed rigorous scientific research processes [26], [27] to achieve our research intent.. The method used was a structured literature review (SLR), which allows for a thorough and reliable analysis of the topic in question and identifies future advances [28]. Only articles published in peer-reviewed journals and written in English were considered, resulting in a final pool of 73 articles. The authors employed Bibliometrix, a statistical software accessible on R-Studio, to analyse [29].

This study shows the trends of Islamic finance and sustainability publications through a rigorous methodology, which will be explained in the next section. After that, the quantitative and qualitative results of the bibliometric analysis and discussion considering the literature will be shown. Finally, the conclusion will bring our research to a close.

II. METHODOLOGY

The research is based on strict methodological steps to ensure a rigorous method [26], [27]. According to numerous authors, our choice is to follow a Structured Literature Review (SLR) through a detailed and reliable examination of knowledge in the study domain, which allows us to define flourishing fields of future research [26], [28]. The technique has benefited from several combined bibliometric analysis studies [30]. The authors coded the documents manually and independently to classify the units of the research study in the selected articles, enhancing the results [31], [32]. Several researchers already use the SLR methodology since its publication. Despite its origins in the accounting field, analyses have been conducted in the broader management field due to its consistent research process [24], [32].

Therefore, our research started by searching for the title, abstract and keywords containing "Islamic finance" and "Sustainability" on the Scopus database. According to Oakleaf [33], the database includes papers indexed and ranked by the Institute for Scientific Information and Scopus. Considering only articles published in peer-reviewed, English-language journals or books [34], the authors set a limitation obtaining 81 results. Subsequently, only papers in the fields of economics, econometrics and finance, economics, management and accounting and social sciences were considered relevant. The final selection of papers includes 73 results, which will be the subject of the analysis.

The second stage of the study involved using the open-source statistical tool R [29] to analyse Islamic financing in terms of sustainability [35]. Creating the .bib file for the third phase, data analysis, was part of the data collecting procedure. The researchers used R software and bibliometrix scripts to do a descriptive bibliometric analysis and generate a matrix that included all documents throughout this period. Biblioshiny was also utilised to generate a concept map and citation network. The data reduction technique was used to visualise the knowledge structure during the analysis [25]. Fourth, the code analysis enabled academics to validate the Scopus results. Furthermore, researchers defined the structured course of investigation by utilising the research questions. The analysis will be divided into two parts: Descriptive analysis to analyse author structure and thematic analysis using the topic dendrogram. Finally, as advised in step five, we will discuss

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the results, provide theoretical and practical implications, limitations of our research, and future study directions in the following paragraphs.

III. FINDINGS

The study's bibliometric method can assist readers in swiftly identifying the fundamental aspects of the research area and answering research questions in a complete and trustworthy manner using quantitative and qualitative variables [32].

This paragraph seeks to answer the research question by providing information on various factors derived from descriptive statistics of the paper sample generated by the research key specified in the methodology. First, the different paper types and the annual scientific output are displayed. Following that, the survey considered scientific sources and the number of publications published by each author. The geographical relationships are intended to highlight the countries where the topic is most discussed and international partnerships amongst experts. In addition, the study counts the number of citations to comprehend the critical contributions recognised in the literature. Finally, this section explores the principal themes addressed by research on Islamic finance and sustainability using keywords and a dendrogram of subjects from the three perspectives established by the literature: economic, environmental, and social [7].

A. Descriptive bibliometric analysis

Table I shows the information about 73 papers published between 2010 and 2021, as taken from the Scopus database. Moreover, this section aims to address the first research question.

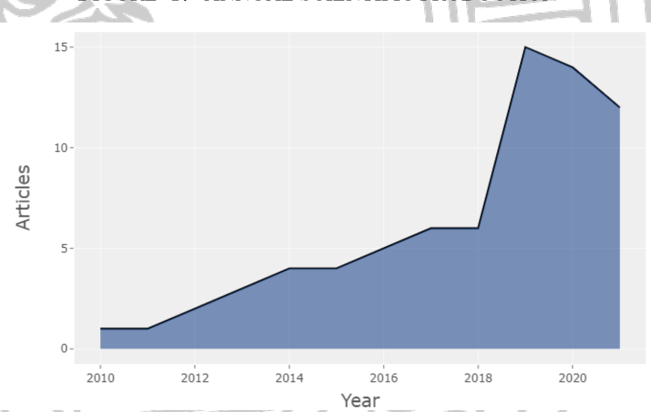
TABLE I. MAIN INFORMATION

Main information	*Explanation*	*Results*
Documents	Total number of documents	73
Sources	The frequency distribution of sources as journals	148
Author's Keywords	Total number of keywords	228
Keywords Plus (ID)	Total number of phrases that frequently appear in the title of an article's references	58
Period	Years of publication	2010-2021
Authors	Total number of authors	158
Author Appearances	The authors' frequency distribution	178
Authors of single-authored documents	The number of single authors per articles	19
Authors of multi-authored documents	The number of authors of multi-authored articles	139
Average citations per document	The average number of citations in each article	4,42
Co-Authors per Documents	The average number of co-authors in each document	2,44
Authors per Document	The average number of authors in each document	2,16
Collaboration Index	-	2,62

The number of keywords used exceeds the number of papers by three to one. At the same time, the number of keywords plus, which is the number of keywords that frequently appear in the title of an article, is lower than the number of sources, indicating consistency in the main subject examined. The first results of the analysis can be identified in 2010. However, the trend is gradually increasing, demonstrating the focus on the topic since 2018. Two authors wrote each article on average (2.16). Finally, the collaboration index (CI) is 2.62, calculated as the total number of authors of articles with multiple authors divided by the total number of articles with multiple authors [36]. Our research examined 73 articles from peer-reviewed scientific journals, books, book chapters and conference proceedings.

In 2010, the initial aim of the literature on Islamic finance and sustainability was to provide a perspective of unity between monetary, financial and real economy variables [37]. Subsequently, scholars have focused on the financial crisis that occurred after 2008 [38] and the growth of Islamic finance [39] and sustainable development alongside conventional finance [40]. In the central part of the observation period, the literature inquired about how Islamic finance is growing, complementing, and sometimes replacing its spiritual components [41]. Authors have focused on how socially responsible investments and the growing importance of Islamic finance are linked to the shift to renewable energy [42]. In addition, stakeholder perceptions of Islamic banks' corporate social responsibility were explored [43].

FIGURE 1. ANNUAL SCIENTIFIC PRODUCTION



The growth of literature on the subject has gone hand in hand with the increase in Islamic bank financing. Nowadays, the literature on the topic focuses on how Islamic finance can support businesses that pursue a circular economy model [44] to achieve growth that does not harm the environment [45]. Other studies have focused on how Islamic finance can convert its business model into ethical finance [46], [47]. Conversion presupposes positive employee attitudes and a willingness to adopt the green banking approach.

Table II shows the reference journals and the number of publications in each. In particular, the frequency with which papers dealing with the topic and related concerns are distributed is described. Journal of Islamic Accounting and business research and ISRA Journal are the two journals that have received the most attention to this topic in recent years. The former provides a dynamic forum for promoting accounting and business knowledge based on Islamic

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principles, intending to influence the welfare of societies around the world favourably. The JIABR encourages innovative contributions in accounting, economics, marketing, Sharia governance, Islamic banking and finance, and publishes publications that promote responsibility, socio-economic equity and eternal success. The ISRA Journal ensures that published articles in Islamic finance meet high standards, guaranteeing that additional innovation and research are carried out and encouraged in the Islamic finance sector and academia.

TABLE II. JOURNALS FOR ISLAMIC FINANCE AND SUSTAINABILITY.

Sources	*Articles*
ISRA International Journal of Islamic Finance	5
Journal of Islamic Accounting and Business Research	4
Al-Shajarah	3
Energy and Finance: Sustainability in The Energy Industry	3
Journal of King Abdulaziz University Islamic Economics	3
Sustainability (Switzerland)	3
Arab Law Quarterly	2
Corporate Sustainability: Inclusive Business Approaches Contributing to a Sustainable World	2
Covid-19 and Islamic Social Finance	2
Humanomics	2
International Journal of Innovation Creativity and Change	2
International Journal of Social Economics	2
Islamic Fintech	2
Journal of Cleaner Production	2
Research in International Business and Finance	2
Singapore Economic Review	2
Academy of Strategic Management Journal	1
Accounting and the Public Interest	1
Accounting Finance Sustainability Governance and Fraud	1
ACRN Journal of Finance and Risk Perspectives	1

B. Authors

Define abbreviations and acronyms the first time they are used in the text, even after they have been defined in the abstract. Do not use abbreviations in the title or heads unless they are unavoidable. Table III shows the most prolific authors publishing in Islamic finance and sustainability. There are three authors at the top of the ranking: Arslan Ayaydin, Choudhury, and Hassan. Ozgur Arslan Ayaydin is a professor in the Finance department at the University of Illinois at Chicago, whose research areas focus on financial flexibility, corporate investment, and performance. Prof Masudul Alam Choudhury of Trisakti University has his main research field in theoretical contribution to Islamic finance. At the same time, Kabir Hassan is a Professor of Finance and Hibernia Professor of Economics and Finance at the University of New Orleans and focuses on developments in Islamic banking.

However, figure 2 shows that some publications come from these countries, but they appear more as sporadic contributions rather than a focus of research. The figure maps geographically the places where publications in this field are being published in the world: the darker the blue colour, the greater the number of publications in the country.

TABLE III. NUMBER OF ARTICLES PER AUTHOR

Authors	*Articles*
Arslan-Ayaydin	3
Choudhury	3
Hassan	3
Dorsman	2
Dreassi	2
Engku Ali Era	2
Goud	2
Karan	2
Kunhibava	2
Mahadi	2

TABLE IV. NUMBER OF ARTICLES PUBLISHED IN EACH COUNTRY

Region	*Occurrences*
Malaysia	34
Netherlands	13
Italy	12
USA	11
Indonesia	6
Australia	5
Pakistan	5
Bahrain	4
Bangladesh	4
Nigeria	4
UK	4
Qatar	3
Turkey	3
Jordan	2
Oman	2
Spain	2

As for the countries, most closely associated with conventional finance, the topic is of interest in the Netherlands (13), Italy (12), and the USA (11). This is due to the potential of Islamic finance as a more sustainable model in crises [48].

1) Country publications and collaboration map

The following section analyses the number of citations for publications in each country. The top paper in our cluster is Malaysia (96), followed by Poland (31), Qatar (26) and Italy (20). However, the distribution of average citations over the years shows a different distribution. In fact, for this variable, Poland has the highest number of average publications per year, due to the paper by Hussain et al. [49] that sees Islamic finance as socially responsible investment. This is followed by Qatar, with 26 average citations per year. The number of average citations per year drops in countries where more is published, like Malaysia and Italy show. This is both because the higher number of publications identifies a fluctuating trend in the number of citations obtained. The topic of Islamic finance and sustainability being rooted in more years shows more dispersion in terms of time.

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FIGURE 2. COUNTRY'S SCIENTIFIC PRODUCTION

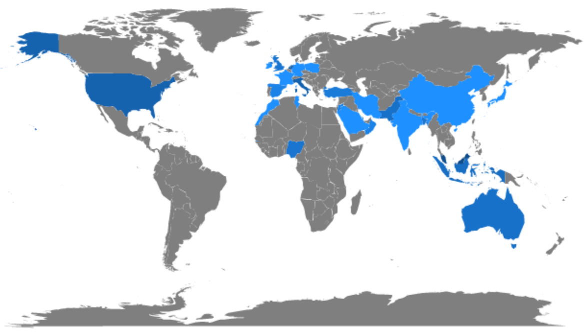
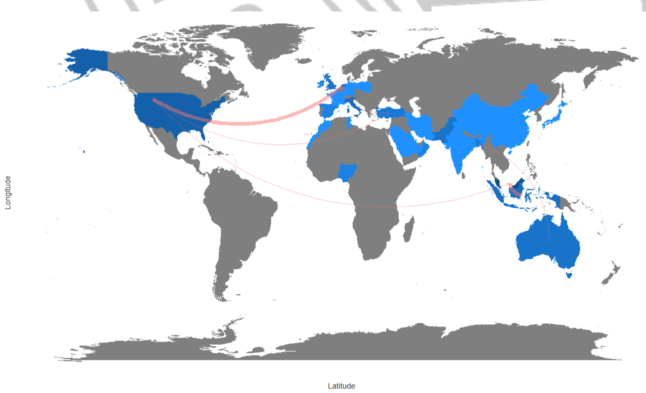


TABLE V. NUMBER OF ARTICLES PUBLISHED IN EACH COUNTRY

Country	*Total Citations*	*Average Article Citations*
Malaysia	96	7,3
Poland	31	31
Qatar	26	26
Italy	20	6,6
Oman	8	8
Spain	5	5
Netherlands	3	3
Australia	2	2
China	2	2

Figure 3 shows the connections (red stripe). The primary relationships are highlighted between Malaysia and Indonesia (3) and the USA and the Netherlands (3). Although different environmental conditions are evident, the Indonesian banking system, in particular, is focused on substance, whereas the Malaysian banking system considers symbols and form [50]. The US and the Netherlands are among the leading countries investigating the field of Islamic finance without having Islam as their first religion [51].

FIGURE 3. COUNTRY COLLABORATION MAP



C. *Thematic analysis*

This section introduces thematic analysis as implemented in the bibliometrix software [29]. By studying the authors' keywords and topic dendrogram, the section aims to define the strands of literature that Islamic finance refers to in dealing with sustainability issues.

1) *Keywords analysis*

Figure 4 discusses the connection between the terms' Islamic finance' and 'sustainability'. In their publications, researchers use a variety of keywords to situate their papers within the literature. The main words are "finance", "Islamism", "Malaysia", "sustainability", and "sustainable development". The word "finance" aims to identify papers investigating Islamic finance from a monetary and financial instrument perspective. The word "islamism" is used to distinguish research on Islamic finance from research on conventional finance. Many of the articles using this keyword deal with microfinance [52] and social banking [53] topics. "Malaysia" appears among the keywords as many among the articles focus on this nation. According to the literature [17], Malaysia belongs to 85% of the leading nations in Islamic finance and has been the subject of numerous case studies [41], [49], [54], [55]. The words' sustainability' and 'sustainable development' are intended to identify papers investigating how Islamic banking can improve performance in terms of environmental sustainability [56]. Others, however, explore social finance [57] and economic sustainability [58]. In this sense, the three streams of literature as theorised are confirmed [7].

FIGURE 4. AUTHOR'S KEYWORDS IN ARTICLES ON ISLAMIC FINANCE AND SUSTAINABILITY

2) *Topic dendrogram analysis*

Figure 5 shows a dendrogram of topics reflecting the order of the keywords created through hierarchical clustering and their connection. The vertical lines and the cut of the figure facilitate the investigation and understanding of the various groupings. The figure is intended to estimate the number of clusters to allow for future discussion. The first block in purple focuses on environmental sustainability and measurement systems. Specifically, the focus is on environmental sustainability, measurement systems, and Islamic banking. Sustainability practices and financial performance from the perspective of Islamic banking can be measured in a sustainability framework for Islamic banking [18]. From an environmental sustainability perspective, the inclusive green behaviour of Islamic bankers can positively influence the growth of green banking [16]. Therefore, Islamic finance institutions can be valuable tools for developing green awareness and environmental concerns through Islamic banks.

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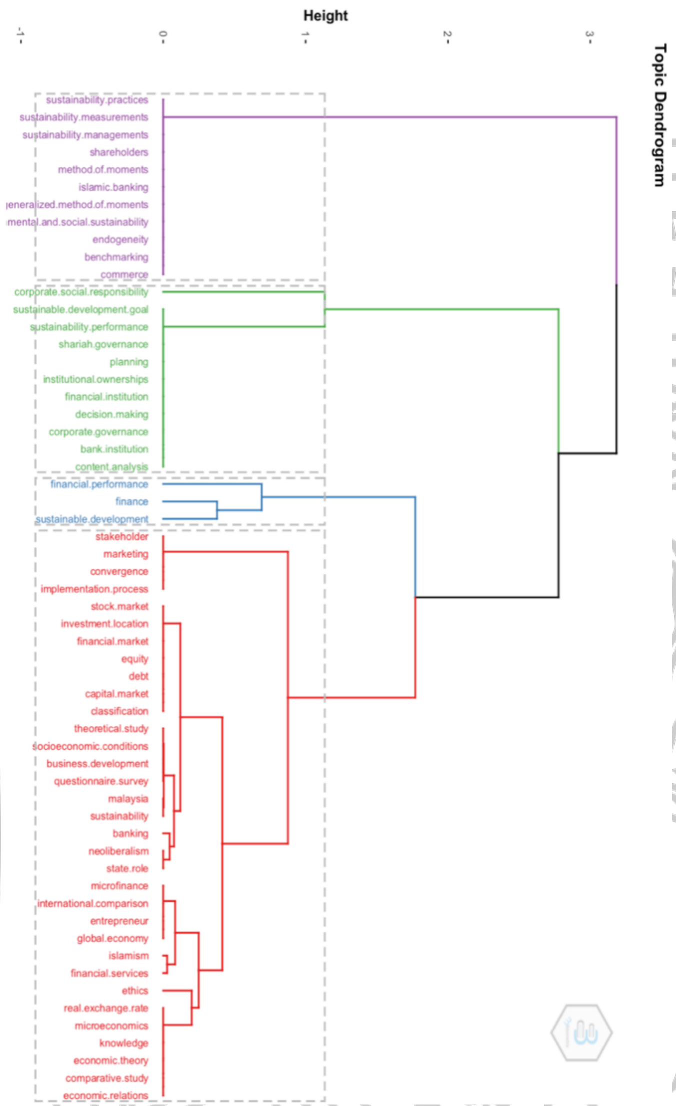
FIGURE 5. TOPIC DENDROGRAM



Corporate Social Responsibility (CSR) initiatives of companies are one of the green cluster's words and the key to success in business and modern society. The Islamic perspective of CSR is based on religious ethics and appears to be significant and intensified. According to Khan [56], working for the betterment of the poor, ensuring the most efficient and socially desirable use of financial resources, developing their institutional structures, infrastructure, and innovative products are challenges that Islamic finance can address. Through the principles of justice and equity, Islamic Banking and Finance also provides a vehicle for energy companies [42]. The issue of CSR is an essential factor in the Islamic banking sector and in the perception of various stakeholder groups that they can guide the strategic decisions taken by Islamic banks, based on their offerings, brand identity and customer service levels [43]. This defines the strand of social responsibility, connoting Islamic finance as a financial and economic model based on ethical principles and values in which sustainable development and social responsibility play an essential role [59]. Islamic finance is full of main instruments to propose Islamic social finance, such as waqf, a continuous charitable donation preferred for its perpetual, irrevocable characteristics [60].

The blue cluster aims to identify the economic sustainability of Islamic finance. The introduction of the Sustainable Development Goals or SDGs in 2015 led scholars to the exploration of practices of Islamic banks in the application of value-based intermediation through Islamic social finance and its impact [57]. Several developments of economic sustainability through Islamic finance for small and medium enterprises were observed based on philanthropic motives, private sector activities and public sector facilitation [61]. In this context of the discussion, Islamic finance is proposed as an alternative to conventional finance to pursue economic sustainability through instruments with different economic impacts, including joint venture (musharakah), Islamic bonds (sukuk) and Islamic insurance (takaful) [62]. However, according to Jan et al. (2019) [18], the in-depth analysis revealed that the market is not interested in banks' environmental and social sustainability, except for their economic sustainability practices. Therefore, the correlation between performance and economic sustainability of Islamic finance is through sustainability practices. The fourth cluster in red does not appear to open up space for a fourth research stream. Some scholars have focused their efforts on understanding the socio-economic factors that favour the spread of the Islamic financial system. According to literature [63], in countries of Islamic culture, certain groups of people are less likely to be included in financial transactions, especially if they involve traditional loans and accounts. Moreover, there is a clear need to encourage young people, the poor and women to use formal banking services to improve their access to financial services.

Other papers assess the approach from a socially responsible investment perspective. Studying how companies react to share price shocks based on a classification based on social pressures rather than the financial objective of maximising shareholder wealth, Hussain et al. [49] classified companies in the stock market as Shari'ah compliant and non-Shari'ah compliant. The result is that non-compliant company do not significantly alter accounting debt ratios during falling capital prices. Instead, compliant firms are more likely to increase book debt ratios during periods of declining equity values.

Finally, this cluster includes the theoretical frameworks related to the topic. First, some articles aim to explore the concept of social banking and to look for the possibilities of internalisation in Islamic banking, given the social failures of Islamic banking [53]. Subsequently, a comparative study of endogenous money in the quantity theory of money revealed significant differences between the theory of endogenous money in Islam and traditional methodologies. In the context of Islamic finance, it has never been fully determined which model is used to explain monetary transmission and the functioning of monetary policy with interest rate-avoiding instruments that meet the requirements of Islamic financing [64]. Therefore, the sample of papers presents numerous theorisations.

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IV. Discussion and Conclusion

A. Definition of research streams

The following section aims to answer the second research question based on the analysis results to outline the research strands for Islamic finance and sustainability. Starting from Keeble's definition [7], our paper asseverated the presence of the three different versions of sustainability: environmental, economic and social within the sample of articles analysed. According to Khan [56], Islamic banking can improve performance in terms of sustainability. Therefore, the following section aims to define the three different streams of literature about Islamic finance and sustainability.

1) Environmental sustainability perspective

The articles in the sample focused on environmental sustainability and measuring systems. The emphasis is on environmental sustainability, measuring methods, and Islamic finance. Sustainability practices and financial performance from the viewpoint of Islamic banking, according to Jan et al. [17], may be assessed in an Islamic banking sustainability framework. From the standpoint of environmental sustainability, Islamic bankers' inclusive green behaviour may favourably impact the development of green banking [46]. As a result, Islamic financial institutions, such as Islamic banks, may be helpful instruments for raising green consciousness and environmental concerns.

2) Social sustainability perspective

The second stream of study is concerned with social responsibility, precisely the Islamic viewpoint of CSR, which is founded on religious ethics and seems to be essential and intensified. Working for the benefit of the poor, guaranteeing the most effective and socially acceptable use of financial resources, and expanding their institutional structures, infrastructure, and innovative products are all problems that Islamic finance can solve [56]. Islamic Banking and Finance, based on the ideals of justice and fairness, also serves as a vehicle for energy businesses [42]. CSR is an important element in the Islamic banking industry, and different stakeholder groups believe that it may influence strategic choices made by Islamic banks based on their products, brand identification, and customer service standards [43]. This outlines the thread of social responsibility, referring to Islamic finance as a financial and economic model founded on ethical principles and values. Sustainable development and social responsibility play critical roles [59]. Islamic finance is full of significant tools to offer Islamic social financing, such as waqf, a continuous charitable gift favoured for its permanent, irreversible, and inalienable qualities [60].

3) Economical sustainability perspective

The adoption of the Sustainable Development Goals (SDGs) in 2015 prompted academics to investigate Islamic banks' activities in applying value-based intermediation via Islamic social finance and the effect of these practices [57]. Several advances in economic sustainability via Islamic financing for small and medium-sized businesses have been noted based on charitable motivations, private sector initiatives, and governmental sector assistance [61]. In this context, Islamic finance is suggested as an alternative to conventional finance for pursuing economic sustainability through instruments with varying economic effects, such as joint venture (musharakah), Islamic bonds (sukuk), and Islamic insurance (takaful) [62]. In-depth research, however, showed that the market is not interested in banks' environmental and social sustainability policies, save for their economic sustainability measures [18]. As a result, the connection between Islamic finance performance and economic sustainability is via the development of sustainability practices. The fourth red cluster does not seem to make room for a fourth research stream. Some academics have concentrated their efforts on gaining a better grasp of the socioeconomic variables that promote the development of the Islamic banking system. According to Shihadeh [63], in Islamic-culture nations, some categories of individuals are less likely to be engaged in financial transactions, particularly when official loans and accounts are involved. Furthermore, there is a specific need to encourage young people, the disadvantaged, and women to utilize formal banking services to enhance their access to financial services.

B. Theoretical implications

Our paper acknowledges some theoretical implications. First of all, it allows ascertaining the validity of Keeble's theory [7], extending the validity of his definition of sustainability also except Islamic finance. Subsequently, it defines and outlines three different declinations of sustainability for Islamic finance. Finally, it allows highlighting that a single monetary theoretical model underlying Islamic finance is not yet outlined [64].

C. Practical implications

Our research also has practical implications. First, it allows us to understand that sustainability practices by banking institutions can foster the growth of the green economy and economic inclusion [46]. Second, it highlights how in a CSR context, it is a vital factor for Islamic finance to channel strategic decisions in Islamic banking institutions, ensuring adequate perception by different stakeholder groups [43]. Third, it was shown that the market is not interested in banks' spending on their environmental and social sustainability, but only on their economic sustainability practices [18].

D. Limitations

Our study, like many studies, has limitations. To begin, the sample of publications was limited to guarantee a structured method. This might have resulted in our missing out on important research papers and proceedings. Second, considering the bibliometric variable analysis, future research may focus on bigger literature samples by completing open code inquiry to find better scientific subjects addressed. Third, the embryonic stage of the literature may provide fresh economic research that may contradict, or render outdated the current study. The sample used is more geared toward studies in the hard sciences than studies in management.

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E. Future research

Bibliometric analysis, according to Paul and Criado (2020) [28], identifies and predicts future study areas. As a result of the analysis, we were able to determine which research areas merit further investigation. The rigorous approach used opens a plethora of possibilities for scholars to investigate. The research highlights certain aspects that do not seem to be well covered in the literature. Future research will have to consider the cauldron of economic and monetary theories underlying Islamic finance that lack appropriate definition, as evidenced by the red cluster in the topic dendrogram. In addition, other researchers could use this research to explore best practices in each of the three strands of literature highlighted. Finally, future research should investigate the concept of sustainability as a whole and consider the three different streams of literature: environmental, economic, and social.

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Role of the Central Bank in implementation of Value-Based Islamic Banking and Reporting in Bahrain – Exploring the challenges

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Abstract— **This paper aims to explore the role of the Central Bank of Bahrain (CBB) in the implementation of Value-Based Islamic Banking (VBIB) and Reporting in Bahrain, explore the related challenges, and provides suggestions that how the central bank can encourage the Islamic banks to align their operations for making a positive impact in society to translate Value-Based Banking (VBB) fully into practice by the Islamic banks in Bahrain. The paper also explains the VBIB, and its related principles, which is a relatively new concept in Bahrain. The study employs a qualitative approach to understand the role of CBB in such implementation. The findings reveal that based on Islamic principles and Maqasid al-Shari'ah, CBB is yet to develop a strategy paper and framework for the value-based Islamic banking and reporting for the Islamic banking practices towards the well-being of the society and social objectives. This article suggests what could be done by the CBB to achieve the aim of the adoption of VBIB. As, there has been very little written on value-based Islamic banking (VBIB) and reporting in Bahrain. Therefore, the study also contributes to the current Islamic finance literature and identifies the need for reporting standards to improve the VBIB practice in Bahrain in the future.**

Keywords- Value-based Islamic Banking (VBIB), Islamic Finance, Central Bank of Bahrain (CBB), AAOIFI, CBB framework

I. Introduction

In contrast to the traditional conventional banking system, which favours debt processes, Islamic banks have a distinctive character, giving equivalent weight and priority to their social objectives and profit by focusing on real sector economic activities with a long-term objective rather than short-term risk-taking decisions [5].

One must understand the Maqasid al-Shari'ah (i.e., the objective of the Shari'ah to promote the welfare of human beings, which lies in safeguarding the faith, human self, intellect, posterity, and wealth) to comprehend the goals of Islamic banking (Imam Ghazali (as cited by Chapra and Dusuki).

However, over the years, the Islamic banking industry adopted the developed form of wealth maximisation [7], just like a conventional bank, and diverted from the philosophy and ideology of Islamic banking from the welfare of society towards profit maximization [4], [35], and failed to realize its embedded objectives of social-economic development as part of Islamic economic principles and Maqasid al-Shari'ah based on which Islamic banking system was built [30].

The recent global financial and economic crisis with the oil crisis and commodity prices, geopolitical conflicts, and depreciation in exchange rates has caused weaker confidence amongst consumers and investors in the global economy. This global financial and economic crisis (IFSB 2016) has brought the need for Islamic banks to re-focus on the originality of their objective of being a value-based banking system [30].

The fundamental question is whether Islamic banks are not only considering maximisation of the wealth of the shareholders but also providing positive impact and effects on the society, i.e., achieving the Maqasid al-Shari'ah with social-economic development in the community, which was defined by Al Ghazali in the 14th Century [31]; [10], and how to implement such a practice. In this research paper, we have analysed the consistency of values-based banking practices of IFIs with the concept defined in Maqasid al-Shari'ah.

Recently, the Central Bank of Malaysia, with the assistance of Islamic commercial banks, has developed a strategy document to work towards "value-based intermediation" [7]. Value-based intermediation encourages IFIs to adopt a more structured framework to create value and impact in society, particularly in response to changing economic, social, and environmental conditions. Islamic finance and value-based finance had common grounds as principles of responsible investment [8];[9].

Our focus in this research paper is to introduce value-based Islamic banking and reporting, its principles and comprehend the role of the Central Bank of Bahrain in adopting value-based Islamic banking and reporting in Bahrain by conducting

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interviews with the Islamic banks' executive management, experts, and scholars of the Islamic banking industry.

One could ask why Central banks, for example, in this paper, the Central bank of Bahrain, should care about the impact on society, such as climate change and environmental sustainability. It should be noted and understood that any negative impact on society means the negative influence on corporations and households (being part of society/community), who have the services or products of financial institutions, will result in a negative impact on financial intuitions portfolios and performance. Thus, illnesses (i.e., Covid-19) increase the number of deaths, affect short and long-term growth and financial stability. Further, financial institutions, who have lent to households and corporations are likely to have a negative impact due to such events and an increase in losses. Therefore, Central banks and financial institutions must consider such a negative impact on society and safeguard themselves [12].

The principles of Islamic banks promote long-term sustainability, social responsibilities, interest in the business of all parties concerned with the success of the result, responsible to their shareholders, as well as oblige a fiduciary duty to society as a whole [30]. Reference [26] further emphasized that the principles of Islamic finance offer a fair socio-economic system with a strong commitment towards the well-being of society, social justice, and prosperity of the whole community.

Social issues must be critical to Islamic banks based on Islamic principles. The earlier studies revealed that the Islamic banks were based on social initiatives to achieve social objectives [30]. Al-Ghazali defined the Maqasid al-Shari'ah as an Islamic social welfare function, with specific goals and guidelines for prioritising individual and social needs [16]; [31].

Besides, Reference [6] has argued that Islamic banks play two critical roles in the community, namely religious and financial. Therefore, Islamic banks have been considered a new way of representing the organisations, whose social objectives are as valuable and essential as making profit [18]. Reference [28] argued that "both the society and the business will not have a long-term future" without sustainable development.

IFIs have to play a vital role in developing value-based banking and reporting by making a community-based investment, developing value-based Islamic banking products that meet customers' business needs with social values and religious beliefs [30]. These products and investments will allow people to improve standards of living, assist in the development of a community, social services such as the development of human resources, safety of environments, elevation of human rights, help them to develop small businesses and create jobs and positive contribution in community development programs (Hasan & Dridi, 2011; [29];[36]; [33] [13].

A. *Brief overview of Value-Based Islamic banking*

Values-Based Islamic Banks (VBIB) manage their funds by providing facilities and services to sustainable projects through facilities to individuals and corporates based on Islamic finance and economic principles [30]. They avoid investing funds for purely financial purposes rather than to support their local communities with a positive impact. These banks use resources to deliver economic, social, and environmental development [20]. Value-based Islamic Banking can be described as illustrated in Figure 1 [30].

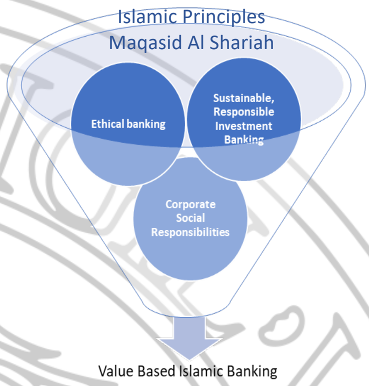

Figure 1. The concept of value-based Islamic banking [30]

Therefore, value-based Islamic banking focuses not only on pure return or profit but also realises the importance of corporate responsible banking, sustainable-focused Islamic banking, and ethical and investment responsible Islamic banking, which will generate a positive impact on society with sustainable development and return to the shareholders [30].

B. *Principles of Value-Based Islamic banking*

The following six principles are mentioned in figure 2 [17], previously referred to as sustainable banking and finance principles, modified for value-based Islamic Banking and reporting [30].

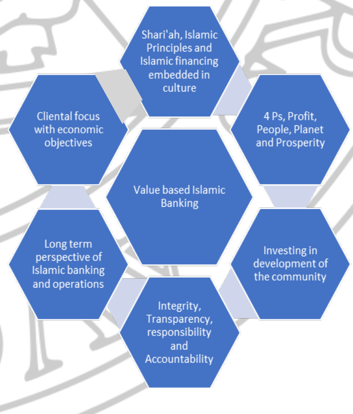

Figure 2. Principles of value-based Islamic banking [30]. Adapted from [17].

These principles are needed to be ingrained in the culture of Islamic banks to recognise them as part of the day-to-day procedures and operations. The central bank can encourage and support Islamic banks in Bahrain to establish such policies to reflect their values-based approach and develop such practices to help society [30].

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C. Practices of Value-Based Islamic Banking and Reporting in Bahrain

Bahrain has been considered the financial hub in the Middle East with several governing authorities. Therefore, they have the ability to make valuable contributions to theory, policy, practices and assist in significant knowledge in Value-Based Islamic Banking (VBIB) and reporting not only in Bahrain but also in other parts of the world [30].

The research revealed that the scale of VBIBI by Islamic banks falls short of the index of 1 by most banks, as social society-related matters were not disclosed in their annual reports [30].

Islamic banks have been described as having “a social face” [24]. “Social activities are emphasized in Islamic banks' articles of association among their objectives and functions” (El-Ashker, 1987, p. 45, cited in [24]

Reference [30] found that the Value-Based Islamic banking Index (VBIBI) scores of three dimensions Debtor, Environment, and Qard al-Hasan, are the lowest among all the themes and raise questions for Islamic banks. Astonishingly, we did not find any information disclosed on debt policy in the sample of Islamic Banks [30]. Though Quran says that “And if someone is in (debtor, hardship), then postponement until [a time of] ease. But if you give charity, then it is better for you if you only knew”. (The Holy Qur'an, 2: 280) . However, no report on the debtor or very little information was disclosed on the environment and Qard al Hasan [30]. Sairally (2007) reported that the social responsibility of Islamic Financial Institutions (IFIs) was not an integral part of their business policies.

Likewise, a study by [22] and [18] have discovered that the responsibility of Islamic banks to satisfy their ideological cases has either insignificant or non-existent focus on social objectives. Islamic banks need to play a positive role in economic development and community prosperity [6]. Reference [18] suggested that corporate disclosure practice reflects the underlying environmental influences that affect company accounting practices in different countries. As there is no impact reporting standard for disclosure purposes, Islamic Banks disclose whatever they desire necessary. Therefore, IFIs have yet to develop such evaluating and assessing operating and reporting systems based on their operations and embedded objectives [30].

There is a need for more disclosure and reporting of value-based Islamic banking and recognised the necessity for social and economic prosperity and the responsibilities of Islamic banks as part of their business and Islamic principal [30]. It was stated that the main reason for such non-disclosure was the lack of AAOIFI standards on value-based Islamic banking reporting [30].

“Governing authorities such as the central bank and AAOIFI has to play a vital role in this regard. It was found that currently there was no framework from governing authorities such as CBB and AAOIFI in Bahrain, which could direct the value-based Islamic banking and reporting, no rules, strategies, and guidelines for assessments and disclosures such as the social and environmental performance as non-financial information along with financial performance” [30]. AAOIFI is yet to develop and cover such aspects of value-based Islamic banking reporting in their standards, as presented in below figure 3.

Figure 3. The value-based Islamic banking reporting aspects [30]

Implementing value-based Islamic banking and reporting will further strengthen accountability and integrity and provide fair and transparent disclosure [15]; Khan, 2019). “Value-based banking (VBB) standards will enhance IFIs' non-financial information disclosure to indicate their contributions to society. Such reporting and transparency will help the stakeholders in decision making and could help to build up a better future for the economy” [30]

II. Research Gap and Aims

A literature review shows that many materials and articles may be published on Islamic microfinance and Maqasid al-Shari'a and their link with Islamic banking in general. However, there seem to be limited research papers explicitly addressing whether the concept of Value-Based Islamic banking and reporting and how the central bank can help to achieve such goals.

This research study aims to tap into these research gaps by introducing value-based Islamic banking and its principles in the Islamic banking industry in Bahrain.

Furthermore, this research study's objective is to introduce the role of the Central Bank of Bahrain in adopting value-based Islamic banking and reporting in Bahrain through interviews with senior management of Islamic banks, specialists, and academics of the Islamic banking sector. There is very little written on the practical side of Value-Based Islamic banking and reporting. Therefore, this article provides a valuable contribution to the literature domain, knowledge, and practical aspects of the Islamic banking industry in Bahrain and other parts of the world where Islamic banking is being practiced without value-based banking.

III. Methodology

A qualitative research technique was employed through interviews with the representatives and experts of Islamic banks to explore the perception of the value-based banking implementation and disclosure enhancement in reporting of

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Islamic banks with the assistance of the central bank of Bahrain.

Qualitative research enables the researcher to comprehend how Islamic banks' representatives construe their experiences and meaning [11].

The use of a qualitative research approach can be further justified in its capability to generate comprehensive information to determine the role of the central bank in the implementation of value-based Islamic banking [11].

This study applied the qualitative method to collect data. We conducted 12 in-depth semi-structured interviews with the senior executives, practitioners, specialists in the field of Islamic banking and reporting, and scholars who were aware of Islamic banking practices in Bahrain. The selection was based on their overall knowledge of Islamic banks and value-based banking, including strategic objectives which have implications for VBB. The primary purpose and goals of these interviews were to gain comprehensive understandings and insights into the role of the Central Bank of Bahrain (CBB) in adopting value-based Islamic banking and reporting.

Open-ended questions guided the interviews, allowing for more significant discussion and dialogue between respondents and the researcher. Interviewees were requested to structure their responses subjectively based on their level of knowledge, degree of expertise, and skill. This method led the researcher to a thorough understanding of the role of CBB in the implementation of Value-Based Islamic Banking and reporting, addressing the rich context and their significance [11].

The names and contact information of the Interviewees were gathered from the annual reports and the websites of the organisations. In addition to that, we also employed sequential and chain sampling. In this sampling procedure, one initial respondent leads to another, or additional respondents have obtained information from the initial respondents. In other words, selected contributors will propose additional participants that they think will provide imperative data for the project [37]; [27].

Context notes regarding the research and interview were sent to interviewees in advance once they were scheduled. The interval for each interview varied from half an hour to an hour. An audio recorder was also used with the interviewees' permission to record each interview. We initiated the conversation by providing a background and general introduction about value-based Islamic banking and reporting, then continued by asking interviewees further questions regarding the main concept of the topic. Furthermore, participants were informed that their identity and the specifics of their organization would not be divulged when quoting them.

Interviews were conducted in English language, which was the same language used to write up the transcript from the recorder. The procedure generated a significant number of data pages, where no significant variations were noticed. We analysed the transcripts by organizing the interview content by establishing critical points and gathering them into groups. The analysis procedure commenced with each transcription being coded. Considering the bigger picture in the interview guide, the researcher constantly read all the transcriptions and emphasised substantive statements deemed appropriate to the research. The researcher listened to the recorded interviews and read the transcripts while listening to ensure the accuracy of the data and reflection on the interviewees' meanings and intentions. Respondents' identities remain confidential according to ethical norms and considerations [30].

TABLE I. LIST OF INTERVIEWEES

Interviewee number	Position	Nature of organization	Education	Gender
I1	Senior Manager	IFI	MBA, CPA	Male
I2	Executive manager	IFI	MBA, ACCA	Male
I3	Senior Manager	IFI	MBA, ICAEW	Male
I4	Executive manager	IFI	MBA	Male
I5	Senior Manager	IFI	MBA,	Male
I6	Director	IFI	MBA, CA	Male
I7	Senior Manager	IFI	MBA	Male
I8	Manager	IFI	MBA	Female
I9	CEO	IFI	PhD	Male
I10	Executive Director	IFI	PhD	Male
I11	Executive Manager	IsDB, Scholar	PhD	Male
I12	Senior Manager	ICD, Scholar	PhD	Male

After reviewing samples of IFIs' annual reports and financial statements and knowing the practices and disclosure of the value-based banking, the researcher sought to ascertain how to improve value-based Islamic banking and reporting in Bahrain by conducting interviews (Table 1). Several factors affect the implementation of value-based Islamic banking; however, this research paper discusses only one of the factors related to the Central Bank of Bahrain (CBB) in adopting value-based Islamic banking and reporting [30].

The current study attempts to answer the following research questions:

a) How can Central Bank play a role in implementing value-based banking and reporting in the Islamic finance industry?

b) How can Islamic banks be encouraged for positive social change by the Central bank of Bahrain?

c) Do you think Islamic Banks need the support of an entity that brings all Islamic banks under a platform and guides them for being value-based Islamic banks?

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IV. Results of the Interviews

A. *Role of the central bank in implementation of value-based Islamic banking and reporting*

All interviewees concurred that CBB and regulators must develop a framework and guidance for value-based Islamic banking and reporting.

"*CBB can develop a strategy or a plan, just like other central banks, where value-based banking (VBB) has been implemented"(I9).*

"This will encourage the IFIs to deliver shari'ah based products and services with a mindset and focus positive impact to the economy and community" (I7).

CBB has to motivate the Islamic banks to have their plan, policies, approach, and performance on value-based banking. To facilitate the adoption of value-based banking and reporting system in Bahrain, CBB can assist the Islamic banks with some guidance, training materials on value-based Islamic banking (VBIB), and also collaborate and team-up with the concerned stakeholders of the banks, and ascertain that Islamic banks have the necessary training.

CBB can also support and promote the VBIB by ensuring that the Islamic banks align their products and services with value-based banking to reflect such values in their day-to-day transactions and performance by disclosing them in the impact report either separately or as part of the annual report.

"Creating awareness of VBIB and reporting is vital for the Islamic banks by the CBB"(I5).

CBB has to create awareness of Value-based Islamic banking and reporting through collaboration with the Bahrain Association of Banks (BAB), CIBAFI, Islamic banks' CEOs roundtable, Islamic banking conferences of the IFIs in Bahrain.

"CBB has been continuously enhancing the regulatory framework in Bahrain to support innovation and maintain the stability of the financial sector" (KPMG, 2019). However, non-financial related frameworks such as value-based banking and reporting frameworks are yet to be introduced and developed for the banks by the governing authorities in Bahrain [30].

European Central Banks have included core responsibilities as environment and sustainability as part of their goals. IFIs in Malaysia have commenced addressing sustainable, responsible, impact investing through ethical financing by embracing the pursuit of values beyond financial returns and motivation. An example of such investment could be Sukuk by Khazanah that brings social impact through promoting quality education, and similarly, green Sukuk could encourage sustainable energy [15]; [9].

The responses from the interviewees are in line with literature reviews of central bank Malaysia (BNM) has introduced value-based intermediation (VBI) for Islamic banks to be more impactful by allowing them to have more participation in social well-being, to improve the more remarkable achievement of Maqasid Shari'ah in IFIs, and concurrently to achieve economic growth in the community [20].

"To have impactful reporting for VBIB, CBB can encourage AAOIFI and the Islamic Financial Services Board (IFSB) to develop a set of guidelines for non-financial disclosure information to steer IFIs for VBB reporting" (I3).

Value-based banking (VBB) standards will enhance IFIs' non-financial information disclosure to indicate their contributions to society. Such reporting and transparency will help the stakeholders in decision-making and could help to build up a better future for the economy [30].

Moreover, with the support of the CBB, AAOIFI to collaborate with Shariah scholars and IFSB to develop guidelines and standards to guide the Shariah Board not to focus only on shariah compliance but also highlight to the IFIs' stakeholders, particularly the management and Board, that recognising environmental, social, and cultural issues are important factors of Maqasid al-Shari'ah and these subjects are an integral part of IFIs operations [30]; [29].

The central bank must have their separate trained division in value-based Islamic banking, at the Central Bank level, who reviews the Islamic banks' operations, reviews their financial statements and policies, encourages them to align operations, and reports the impact of value-based reporting.

Create a system in the Central bank by asking them questions such as Social Development Goals (SDGs) based on how Islamic banks' products and services are creating jobs. To encourage them to have 17 SDGs reporting in their annual report or separate reports.

Furthermore, CBB must make sure that Islamic banks understand the needs, expectations, and sensitivities of the subject matters must prioritise those banks that are making a positive impact and reporting such effects on the customers in the market. Therefore, Islamic banks should train their staff with sufficient knowledge of Islamic banking products with ethics and professionalism towards customer satisfaction [33].

B. *Encouragement of positive social changes by the central bank*

CBB to introduce the enabling environments for IFIs in Bahrain by helping them to adopt the value-based banking practices through encouragement.

"In order to promote and courage VBIB practices, CBB should provide incentives Islamic banks." (I8)

The banking industry in Bahrain is very competitive with Islamic banks being in the same marketplace as conventional banks Interviewee (I8) emphasised that to implement the value-based Islamic banking (VBIB) practices in Bahrain, the Central Bank of Bahrain (CBB) has to provide some incentives, for instance, by lowering the capital reserves requirements of Islamic banks as a percentage of the Islamic banks' assets with CBB, if these Islamic banks make investments or transactions which will create jobs or fundings to the SMEs or new ideas which could bring prosperity in the society, by appreciating these Islamic banks efforts of such kind of investments which make a positive impact in the community. This will lead to new business opportunities and results in sustainable banking to support the financial sector's long-term resilience [15]; [9].

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Through interviews with the experts, the researcher found that the central Bank must promote the engagement in corporate governance of the Islamic banks around the SDGs, encourage IFIs, supervise them, create some platforms for learning, form networking to bring all the exchanging experience together, and encouraging investments in the kinds of long term sustainable projects that society needs to have, which will create positive impact.

CBB has to align banking practices to the value-based Islamic banks with the goals expressed in the Sustainable Development Agenda and set benchmarks for what it means to be a value-based Islamic bank in that context. CBB must determine that IFIs by supervising them that IFIs' operations and goals are aligned with SDGs with the core business objectives, such as job creation, financing, health care, education, and clean energy. CBB must supervisor the IFIs to ensure that this approach must be embedded in the business model of IFIs.

CBB ought to urge and encourage the Islamic banks that the value-based Islamic banking techniques could be used as a strategic tool to enhance the bank's reputation in the market to gain more customers in the long run and survive in the evolving Islamic banking competitive market. It was proved that profit maximization and value-based banking are positively correlated [33].

Furthermore, to develop awareness and to promote VBIB in the market, CBB should appreciate the Islamic banks' efforts towards such goals, for example, by marketing such value-based Islamic banks by publishing their names in its weekly or monthly newsletter or on their website as an excellent value-based Islamic bank in terms of helping the society and making a positive impact in the community in Bahrain.

This should be done on a volunteer basis at the beginning to promote value-based Islamic banking and reporting in the Islamic Banking Industry [8];[9]; [25].

C. *Need of a leader to bring all the Islamic banks in Bahrain under a single platform*

"CBB to seek guidance and assistance from the pioneer of VBIB's such as Global Alliance Value-Based Banking (GAVB) and IsDB Group to consider the way to implement value-based Islamic banking and reporting in Bahrain to promote the bankable social development goals (SDG)" (I12).

CBB, with the help of the government, can utilise the expertise and assistance of the world bank, Islamic Development Bank (IsDB) and collaborate with the Bahrain Association of Bank (BAB), General Counsel for Islamic Banks and Financial Institutions (CIBAFI), Accounting and Auditing Organization for Islamic Financial Institutions(AAOIFI), Islamic Financial Services Board (IFSB), encourage the Islamic banks, develop regulations and oversight the financial sectors particularly the Islamic banks, as they are assets based so that Islamic banks can engage over a longer term of the society, and develop value-based Islamic banks disclosure standards for stances disclosure on the environment, impactful disclosure besides the financial results.

If current practices of Islamic Banks are shifted beyond financial consumers to broader stakeholders within the community and economy, it will create not only profit for the consumers but also achieve the bankable social development goals (SDG) for the country, such as good health and well-being, quality education, gender equality, affordable and clean energy, decent work and economic growth, innovation and infrastructure, reduced inequality and, sustainable cities and communities.

"The collaboration among the Shariah scholars, practitioners, researchers, and regulators to undertake in-depth studies and research" [19] to determine that Islamic banking products are value-based, which will not only earn profits for the shareholders but also make a positive impact in the society as part of the Islamic banking objectives, achieve the economic goals and related SDGs in the country, will be an essential underpinning towards the development of value-based Islamic banking system.

"Value-based Islamic banking can help in achieving the SDGs through focusing on the real economy to promote growth, through financial inclusion of providing financing to sustainable projects, through financing projects that cater for the environment, and through sustaining the relationship between the bank and its customers" (I9).

One of the principles of Value-based banking (VBB) is client focus with the economic objective. VBB measures and captures the essence of sustainability by measuring the impact of an organisation's activities on society. Such as supporting local communities, the environment, customers, services to sustainable projects, individuals, and entrepreneurs. In order to assist IFIs in Bahrain, Central Bank, acting as a facilitator and regulator, can help in such VBB frameworks for IFIs, which will help in the development of the real economy, assist in sustainability, and benefit the country. In this regard, Central banks can play an essential role in maintaining the economic and financial stability of the country. Their toolkit also includes maintaining price stability (i.e., controlling inflation) and promoting economic growth. If achieved, economic growth will lead to job creation and employment opportunities and, hence, improve the standard of living in society. Thus, as CBB, they need to consider utilising the private sector (i.e., IFIs) into yielding such objectives, while IFIs perform their tasks by achieving their objectives and helping the economy simultaneously. It will be a win-win situation for both IFIs and CBB as a central bank, achieving sustainability and prosperity in society.

All other participants underlined that CBB should enforce such practices and reporting. Moreover, the majority accord with the collective view of Islamic banking being value based on a responsibility to ensure socio-economic development and improvements in its reporting. Through the interview, we revealed that CBB is expected to play an essential role in regulatory reform and support IFIs to direct their activities towards the well-being of society [30].

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Value-based Islamic Banking (VBIB) is closely related to economic growth in the longer term. The VBIB scheme is more stable due to the absence of debt funding. Therefore, it lowers inflation in the economy and positively impacts employment, trade, economic growth, and GDP [3].

V. DISCUSSIONS AND CONCLUSIONS

This research paper addressed the value-based Islamic banking practices and reporting in Bahrain. Value-based Islamic banking and reporting will help resolve the issues and bridge the gap in economic development and social prosperity between the expectations and performances of the social elements of the Islamic banks.

Islamic banks in Bahrain may find it challenging to practice and disclose non-financial information without a central bank framework and guideline or set of standards from AAOIFI.

The findings of this paper are in line with previous studies of researchers who have discovered that the responsibility of Islamic banks to satisfy their ideological cases has either negligible or non-existent focus on social objectives. Islamic banks should play a positive role in economic development and community prosperity [6],[18],[22]

This research paper discovered that Islamic banks in Bahrain have lesser consideration. They have yet to devote more resources to value-based banking practices and disclose such practices in their reports. This is mainly due to the non-existence of an impactful framework from CBB and such standards from AAOIFI for reporting purposes [30].

This paper discovered through interviews with the expert of Islamic banks and managements those governing authorities such as CBB with the collaboration of other governing bodies must create enabling environment for the IFIs in order for them to achieve the objectives of value-based Islamic banking and reporting in Bahrain by considering the followings:

- *Developing a strategy and planning documents with the collaboration of key IFIs in Bahrain;*
- *Teamwork with IsDB Group, Global Alliance Value-based Banking (GAVB), and the Central Bank of Malaysia;*
- *Creating awareness of VBIB through Islamic banking conferences and Islamic banks' CEOs roundtables;*
- *Providing incentives and appreciation to encourage value Islamic based banking;*
- *Developing a set of rules for non-financial indicators and disclosure reports with the association of AAOIFI and IFSB; and*
- *Collaboration with AAOIFI, shariah scholars, and IFSB for the development of guidelines and standards for Shariah boards regarding VBIB.*

VBIB shall help achieve the Social Development Goals (SDGs) of Bahrain. Economic development and prosperity in society will result in more business for IFIs in the long term. Therefore, Islamic banks should understand the importance of value-based banking and reporting in their daily operations. IFIs should realign their operations to echo the Islamic principles they claim to follow to help society achieve value-based banking [30].

Though at the same time, the implementation of VBIB on the ground could be challenging and cumbersome mainly because of the competitive marketplace. Unless Islamic banks get special treatment from the Government and the Central Bank, for example, incentives in capital adequacy requirements, appreciation, and special treatment for such a business plan of value-based banking, it will be tough to encourage IFIs with high competition in the market for Islamic products such as Murabaha or Tawarruq products (Hurayra, 2015), which are not an ideal Islamic banking apparatus for carrying out the fundamental economic objectives [32]; [25].

The study also contributes to the existing literature surrounding Islamic banking and the various facets attached to it. In particular, to answer how the Central Bank of Bahrain (CBB) can implement value-based Islamic banking and reporting in Bahrain. Our findings in this research paper have imperative implications not only for the CBB and management of Islamic banks in Bahrain region but also in other countries, where Islamic banking products and services are in demand.

VI. LIMITATIONS AND FUTURE RESEARCH

Although the results indicate the opinion of management and experts that the central bank can play a vital role for value-based Islamic banks, the study has certain limitations that should be examined in future studies. We have limited our sample to Bahrain alone, and further research can be extended to IFIs and traditional Islamic banks in other countries. Thus, additional research into these aspects might produce some intriguing results and could substantially improve the operation of value-based Islamic banking and reporting. Additionally, the study focuses on only one factor of value-based Islamic banking, and so further research is required for other issues. Future research should also employ mixed methods with a triangulation approach to validate the results.

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