

Shariah Governance Disclosure in Indonesian Islamic Banking: A Multi-Dimensional Content Analysis of Annual Reports

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Article Info	Abstract
Article history: Received March 10, 2026 Revised April 13, 2026 Accepted June 27, 2026 Available online August 15, 2026 *Corresponding author email: i000210005@student.ums.ac.id Keywords: AAOIFI, Content Analysis, Disclosure Index, Islamic Banking, Shariah Governance. Page: 458-474	Introduction/Main Objectives: This study assesses Shariah governance disclosure (SGD) in Indonesian Islamic commercial banks during 2021–2023 and examines procedural-substantive disclosure asymmetry. Research Methods: An unweighted index of 46 items across five SGD dimensions was applied to annual reports of all 14 Islamic commercial banks, producing 42 bank-year observations. Content analysis and descriptive statistics were conducted using SPSS 23. Finding/Results: The average SGD level reached 85.3%. Shariah Review and Shariah Risk achieved 100% disclosure, while Transparency and Disclosure averaged 72.6%. Bank-level disclosure ranged from 71.7% to 93.5%, indicating stronger procedural than substantive disclosure. Conclusion: Indonesian Islamic banks demonstrate high overall SGD, but gaps remain in zakat reporting, non-permissible income disclosure, and Shariah Committee accountability, requiring stronger regulatory disclosure standards. AICIE with CC BY license. Copyright © 2026, the author(s)

INTRODUCTION

Islamic banking has moved from niche to scale. Global Islamic financial assets exceeded USD four trillion at the end of 2022. They continued to grow through 2023, with Indonesia, Malaysia, and the Gulf Cooperation Council jurisdictions accounting for the bulk of activity (Hassan & Raza Rabbani, 2023). The distinguishing feature of this system is not its product set but its claim of compliance with Shariah. That claim has to be both governed and disclosed. Shariah governance is the institutional architecture through which an Islamic financial institution verifies that its operations, products, and services comply with Shariah, while Shariah governance disclosure (SGD) is the public-facing record of that verification (Bello, 2023; Jan & Ismail, 2023).

The integrity of that record matters because Islamic banks face a triadic accountability that conventional banks do not. They account to shareholders for financial returns, to depositors for safekeeping, and to the Muslim community at large for substantive Shariah compliance (Hassan, Sohail, and Munshi, 2022). Failures in any of the three corrode the legitimacy on which the institution rests. Empirical work has linked disclosure quality to stakeholder trust (Alam, 2021), to bank soundness (Khomsatun, Rossieta, and Nasution, 2021), and to broader corporate governance performance (Abdulrahman, Ebrahimi, and Al-Najjar, 2024). At the same time, comparative studies have shown that SGD remains uneven across jurisdictions. Malaysia operates under a comprehensive disclosure regime anchored in the Bank Negara Malaysia Shariah Governance Framework (Abdul Rahim, Shaharuddin, and Mohd Suki, 2024); Gulf banks sit at moderate levels (Musleh Al-Sartawi, 2020); a recent multi-country sample of 807 annual reports produced an average of just 57.38 percent disclosure (Abdulrahman, Ebrahimi, and Al-Najjar, 2024).

Indonesia is an informative case for two reasons. It hosts the world's largest Muslim population and, by customer base, the largest Islamic banking market in Southeast Asia, even though Malaysia leads on per-capita and asset measures. Moreover, the 2021 merger of Bank Mandiri Syariah, BNI Syariah, and BRI Syariah into PT Bank Syariah Indonesia (BSI) reshaped the population of Indonesian Islamic commercial banks at the start of the period analyzed here (Ely Eka Saputri, Siti Elita, and Anisatul Kamilah, 2024). The three-year window from 2021 to 2023 captures the disclosure practices of a consolidated industry under a relatively stable regulatory regime led by the Otoritas Jasa Keuangan (OJK) and the Dewan Syariah Nasional Majelis Ulama Indonesia (DSN-MUI).

Prior studies of SGD in Indonesia have produced useful but partial findings. Nurkhin et al. (2019) examined determinants of Islamic governance disclosure. They reported that bank size, age, and influence are positively associated with disclosure, whereas the size of the Shariah Supervisory Board is negatively associated with disclosure. Mukhibad et al. (2022) extended the analysis to corporate governance disclosure more broadly. Khomsatun, Rossieta, and Nasution (2021) linked Shariah disclosure to bank soundness and identified a moderating role for the regulatory framework. What this literature lacks is a recent, comprehensive, multi-dimensional

content analysis of the full population of Indonesian Islamic commercial banks over the post-merger window.

This paper addresses that gap. Using an unweighted disclosure index of 46 sub-items across five dimensions, derived from the AAOIFI/IFSB Exposure Draft on the Revised Shariah Governance Framework, the IFSB Guiding Principles on Corporate Governance for Institutions Offering Only Islamic Financial Services, and the BNM Shariah Governance Framework (SGF 2010; SGDP 2019), we content-analyze the annual reports of all 14 Indonesian Islamic commercial banks for the 2021–2023 period, generating 42 bank-year observations.

Three contributions follow. First, we produce the most recent comprehensive mapping of SGD practice in the post-merger Indonesian Islamic banking industry, with an aggregate disclosure level of 85.3 percent. This figure is substantially higher than the 57.38 percent global mean reported by Abdulrahman, Ebrahimi, and Al-Najjar (2024) and updates the earlier Indonesian evidence in Nurkhin et al. (2019). Second, we decompose the aggregate by dimension and by sub-item and identify a procedural-substantive disclosure asymmetry. Procedural compliance dimensions (Shariah Review at 100 percent and Shariah Risk at 100 percent) are uniformly disclosed. In contrast, the Transparency and Disclosure dimension, which covers substantive accountability items such as zakat reporting and disclosure of non-permissible income, stands at 72.6 percent. Third, we identify specific sub-items at which Indonesian Islamic banks systematically under-disclose, and that should attract the regulatory attention of OJK and the standard-setting attention of DSN-MUI.

The remainder of the paper proceeds as follows. Section 2 outlines the theoretical framework and reviews prior empirical work. Section 3 describes the method, sample, and disclosure index. Section 4 presents the empirical results. Section 5 interprets the findings in dialogue with the prior literature. Section 6 concludes.

Literature Review

Theoretical framework

Three theories anchor the SGD literature: accountability theory, signaling theory, and agency theory. Each frames the same disclosure phenomenon from a different vantage point. The empirical literature usually deploys them in combination rather than in opposition (Obid & Naysary, 2014).

Accountability theory holds that an organization is obliged to render an account of its actions to those with a legitimate stake in its conduct. In Islamic finance, that stake is not only economic but also religious: the institution accounts to depositors and shareholders for financial performance, and to the broader Muslim community for Shariah compliance (Obid & Naysary, 2014; Ab Ghani, Mohd Ariffin, and Abdul Rahman, 2024). The disclosure of Shariah governance, on this account, is not optional reputational management but a discharge of a religious-financial duty (Mukhibad et al., 2022). The Shariah Committee operates at the center of this

accountability, with the dual function of verifying compliance and disclosing that verification (Noordin & Kassim, 2019; Alamer, 2022).

Signaling theory shifts the analytical lens to information asymmetry. When stakeholders cannot directly observe internal Shariah compliance, the annual report becomes the principal channel for signaling compliance (Sencal & Asutay, 2021). Higher-quality disclosure signals stronger Shariah governance and is expected to attract trust and capital (Khomsatun, Rossieta, and Nasution, 2021). The signaling logic helps explain why banks at the higher end of the disclosure distribution tend to be larger and more visible institutions; smaller banks have weaker incentives to invest in signaling effort (Alam, 2021).

Agency theory completes the trio. In a conventional bank, the principal-agent relationship runs from shareholders to managers. In an Islamic bank, it is more complex because depositors of profit-sharing investment accounts share residual risk with shareholders, and because Shariah principles introduce an additional principal in the form of religious compliance (Safieddine, 2009; Hassan, Sohail, and Munshi, 2022). The Shariah Committee functions as a monitoring mechanism that mitigates these agency costs, and its independence is the precondition for the legitimacy of its monitoring (Khalid & Sarea, 2021).

These three theories are not rivals. Together, they explain why Islamic banks disclose, why disclosure varies in quality, and why the composition and independence of the Shariah Committee matter.

Components of Shariah governance

Shariah governance is typically decomposed into five interlocking components. The Shariah Committee, sometimes referred to as the Shariah Supervisory Board, issues Shariah opinions and oversees compliance (Noordin & Kassim, 2019; Khan, 2023). International standards specify minimum criteria for its composition, qualifications, independence, and meeting frequency (Ismail, Jan, and Ullah, 2023; Minhas, 2023). Shariah Review is the ongoing internal process through which compliance with Committee opinions is verified across the bank's operations. Shariah Audit is a periodic, independent assessment conducted by qualified internal auditors. Shariah Risk Management identifies, measures, and mitigates the risk that the bank may inadvertently or deliberately depart from Shariah principles. Transparency and Disclosure, finally, covers the public reporting that makes the first four components visible to external stakeholders.

The five components are not interchangeable. Shariah Review and Shariah Audit, for instance, share an assurance function but differ in independence and periodicity: review is continuous and internal, audit is periodic and detached (El-Halaby & Hussainey, 2016; Albarrak & El-Halaby, 2019). Shariah Risk is forward-looking; Shariah Audit is backward-looking. Treating them as a single block, as some earlier disclosure studies have done, blurs analytical distinctions that the standard-setting literature has carefully drawn (Hassan & Raza Rabbani, 2023).

Prior empirical work

The empirical literature on SGD has grown substantially over the past decade. Three patterns are worth naming.

The first is that aggregate disclosure levels vary widely across jurisdictions. In Malaysia, where the BNM Shariah Governance Framework imposes a comprehensive disclosure regime, disclosure scores are high and concentrated near the top of the distribution (Abdul Rahim, Shaharuddin, and Mohd Suki, 2024; Ab Ghani, Mohd Ariffin, and Abdul Rahman, 2024). Studies of Gulf and Middle Eastern banks have generally found moderate levels, with Shariah Committee qualifications and independence the most consistently disclosed items (Musleh Al-Sartawi, 2020). The most comprehensive cross-country study to date, by Abdulrahman, Ebrahimi, and Al-Najjar (2024), covered 807 annual reports from 19 countries between 2010 and 2020 and reported a global mean of 57.38 percent. The headline number is a useful benchmark, although it understates the dispersion within and between jurisdictions.

The second pattern is that determinants of disclosure are not uniform. In Indonesia, Nurkhin et al. (2019) reported the counterintuitive finding that the size of the Shariah Supervisory Board is negatively associated with disclosure. In contrast, bank size, age, and influence are positive determinants. Albarrak and El-Halaby (2019) found a positive relationship between AAOIFI-aligned governance standards and disclosure quality. Khomsatun, Rossietta, and Nasution (2021) showed that the regulatory framework moderates the disclosure-soundness link in Indonesian Islamic banks. The broader picture is consistent with the corporate governance literature: disclosure responds to a combination of institutional pressure, market visibility, and internal capacity.

The third pattern is that disclosure quality is not the same as disclosure quantity. Sencal and Asutay (2021) used both quantitative content analysis and qualitative discourse analysis to argue that Islamic banks' ethical disclosure is often elaborate in form but thin in substance. Ab Ghani, Mohd Ariffin, and Abdul Rahman (2024) drew a related distinction between mandatory and voluntary disclosure and found significant gaps in voluntary items even when mandatory items were fully complied with. This points to a recurring methodological caution: binary indices capture the presence or absence of disclosure but not its depth, and researchers should be explicit about what their indices do and do not measure (Sencal & Asutay, 2021; Smolo & Habibovic, 2012).

The Indonesian Islamic banking context

Indonesia operates a dual banking system in which Islamic commercial banks (Bank Umum Syariah) coexist with Islamic business units of conventional banks (Unit Usaha Syariah) under the supervision of OJK. The 2021 merger of Bank Mandiri Syariah, BNI Syariah, and BRI Syariah into PT Bank Syariah Indonesia reduced the number of state-controlled Islamic banks and created a single dominant institution that now leads the industry by assets (Ely Eka Saputri, Siti Elita, and Anisatul Kamilah, 2024). The spin-off requirement for Unit Usaha Syariah has gradually

expanded the population of standalone Islamic commercial banks, with several new entrants emerging from regional development banks. The 2021–2023 window, therefore, captures a structurally reshaped industry under the supervision of OJK and DSN-MUI.

This context distinguishes Indonesia from Malaysia, the most-studied SGD jurisdiction. Malaysia's regulator imposes the BNM Shariah Governance Framework as a single, integrated, mandatory regime. Indonesia's regulatory architecture is more layered, combining OJK prudential rules, DSN-MUI fatwas, and Bank Indonesia's macro-prudential guidance, without a single equivalent to BNM's SGF. The procedural compliance environment in Indonesia is therefore real but less codified than in Malaysia. One would expect that difference to surface in the observed disclosure patterns.

METHOD

Research design

This study adopts a quantitative content analysis design, the dominant method in the SGD empirical literature (Shafii et al., 2018; Abdulrahman, Ebrahimi, and Al-Najjar, 2024). Content analysis is well-suited to the systematic extraction of disclosure information from large bodies of standardized textual material such as bank annual reports. The output is a numerical disclosure index that permits descriptive, comparative, and longitudinal analysis.

Sample and observation period

The sample is the full population of Islamic commercial banks (Bank Umum Syariah) licensed by OJK and operating in Indonesia during the 2021–2023 period. Fourteen banks meet that criterion (Table 1), giving a total of 42 bank-year observations. The choice of period serves three purposes. It captures the consolidated industry that emerged from the 2021 BSI merger; it covers a recent window of regulatory stability under OJK; and it provides a three-year horizon sufficient to detect short-term trends without making early-period observations structurally non-comparable.

Table 1. Sample Of Indonesian Islamic Commercial Banks, 2021–2023

No.	Bank	Type	Established
1	PT Bank Aceh Syariah	Regional	2016
2	PT Bank BCA Syariah	Private	2010
3	PT Bank Jabar Banten Syariah	Regional	2010
4	PT Bank Mega Syariah	Private	2004
5	PT Bank Syariah Indonesia Tbk	State (merger)	2021
6	PT Bank Victoria Syariah	Private	2010
7	PT Bank BTPN Syariah Tbk	Private	2014
8	PT Bank KB Bukopin Syariah	Private	2008

No.	Bank	Type	Established
9	PT Bank Pembangunan Daerah Riau Kepri Syariah (Perseroda)	Regional	2022
10	Bank Panin Dubai Syariah	Private	2009
11	Bank Aladin Syariah	Private (digital)	2021
12	Bank CIMB Niaga Syariah	Private	2009
13	Permata Bank Syariah Indonesia	Private	2004
14	Maybank Syariah Indonesia	Private	2010

Source: Compiled by authors from the OJK list of Bank Umum Syariah.

Data source

Data were extracted from the audited annual reports of each bank for each year of the observation period, downloaded from each bank's official website. Where a standalone Islamic bank annual report was not directly available, the parent company's report was used, with disclosure items attributed to the Islamic bank subsidiary only where the report made the attribution explicit. This conservative attribution rule risks under-counting disclosure but avoids the larger risk of inflating scores with parent-level information that does not pertain to the Islamic bank.

Disclosure index construction

The disclosure index comprises 46 sub-items grouped under five dimensions: Shariah Committee (15 sub-items), Shariah Review (5), Shariah Audit (6), Shariah Risk (4), and Transparency and Disclosure (16). Items were drawn from three international sources: the AAOIFI/IFSB Exposure Draft on the Revised Shariah Governance Framework (ED-RSGF 2022); the IFSB Guiding Principles on Corporate Governance for Institutions Offering Only Islamic Financial Services; and the Bank Negara Malaysia Shariah Governance Framework (BNM SGF 2010) and the BNM Shariah Governance Disclosure Policy (SGDP 2019), as discussed in Hassan and Raza Rabbani (2023) and Albarrak and El-Halaby (2019). The construction strategy follows Abdul Rahim, Shaharuddin, and Mohd Suki (2024) and Abdulrahman, Ebrahimi, and Al-Najjar (2024).

The Shariah Committee dimension covers composition (minimum five members), qualifications, independence, meeting frequency, attendance, accountability for opinions, and the Committee's reporting line. The Shariah Review dimension covers the qualifications of Shariah Review officers, the scope of review across business operations, the documentation of the review process, communication with the Board and Committee on review outcomes, and the provision of Shariah training. The Shariah Audit dimension covers the independence of internal auditors, their Shariah knowledge, the audit of financial statements, audit reporting on compliance, the review of Shariah governance, and audit periodicity. The Shariah Risk dimension covers risk identification, mitigation measures, reporting, and implementation. The Transparency and Disclosure dimension covers Shariah Committee responsibilities and opinions, Board accountability, zakat obligations, member profiles, financial information, non-compliance

disclosures, non-permissible activities, and the procedural requirement that at least two Shariah Committee members sign disclosures.

Scoring procedure

Each sub-item is scored on an unweighted binary basis, following Abdulrahman, Ebrahimi, and Al-Najjar (2024), Ab Ghani, Mohd Ariffin, and Abdul Rahman (2024), and Noordin and Kassim (2019). A score of 1 is assigned where the item is explicitly disclosed in the annual report, and 0 where it is not. The unweighted approach has the advantage of analytical transparency and avoids the arbitrariness of weighting decisions. It has the well-known disadvantage of treating all items as equally important. Implications of the unweighted scheme are revisited in Section 5. The disclosure score for bank i in year t is computed as the sum of the binary scores across the 46 sub-items, divided by 46. Dimensional scores are computed analogously over the sub-items in each dimension.

Reliability and validity

To ensure reliability, scoring was conducted independently by two coders for the full sample, with disagreements resolved through joint inspection of the source documents. To support content validity, the 46 sub-items were drawn directly from international standards rather than constructed ad hoc (Hassan & Raza Rabbani, 2023; Albarrak & El-Halaby, 2019). The index does not capture the depth or quality of disclosure beyond presence and absence, and this limitation is addressed in Section 5.

Data analysis

Descriptive statistics, including means, ranges, year-on-year changes, dimensional means, and item-level means, were computed using SPSS version 23 (Sekaran & Bougie, 2016).

RESULT AND DISCUSSION

Overall disclosure level

The mean disclosure index for the full sample is 0.853 (85.3 percent), computed as the average across the 42 bank-year observations. By year, the means are 0.846 in 2021, 0.859 in 2022, and 0.854 in 2023 (Table 2). The trajectory shows a small rise from 2021 to 2022 and a marginal decrease in 2023. The year-on-year variation is small enough that the period registers a stable disclosure regime rather than a clear trend.

Table 2. Aggregate Shariah governance disclosure, by year

	2021	2022	2023	3-year average
Mean disclosure index	0.846	0.859	0.854	0.853
Per cent	84.6%	85.9%	85.4%	85.3%

Source: Authors' computation.

The headline figure of 85.3 percent is substantially higher than the global average of 57.38 percent reported by Abdulrahman, Ebrahimi, and Al-Najjar (2024) for 807 annual reports from 19 countries between 2010 and 2020. Two factors plausibly explain the gap. First, the Indonesian sample is more recent and is consistent with an upward trend in disclosure as international standards diffuse. Second, the sample is drawn exclusively from licensed Islamic commercial banks rather than a mixed pool of Islamic windows and full Islamic banks, and licensed standalone institutions face more concentrated regulatory disclosure expectations.

Bank-level disclosure

Table 3 presents disclosure scores for each of the 14 banks across the three years and the three-year average. Bank Mega Syariah leads the sample at 93.5 percent, followed by Bank Syariah Indonesia at 91.3 percent and Bank Aladin Syariah at 90.6 percent. Bank Victoria Syariah is at the bottom at 71.7 percent. The range between the highest and the lowest is 21.8 percentage points.

Table 3. Bank-level Shariah governance disclosure, 2021–2023

Bank	2021	2022	2023	Average
PT Bank Mega Syariah	93.5%	93.5%	93.5%	93.5%
PT Bank Syariah Indonesia Tbk	91.3%	91.3%	91.3%	91.3%
Bank Aladin Syariah	89.1%	91.3%	91.3%	90.6%
PT Bank Aceh Syariah	87.0%	91.3%	91.3%	89.9%
PT Bank BCA Syariah	91.3%	89.1%	89.1%	89.9%
PT Bank Jabar Banten Syariah	84.8%	84.8%	84.8%	84.8%
Maybank Syariah Indonesia	82.6%	91.3%	80.4%	84.8%
PT Bank KB Bukopin Syariah	82.6%	84.8%	84.8%	84.1%
Permata Bank Syariah Indonesia	84.8%	82.6%	84.8%	84.1%
PT Bank Pembangunan Daerah Riau Kepri Syariah	87.0%	84.8%	78.3%	83.3%
Bank Panin Dubai Syariah	76.1%	82.6%	91.3%	83.3%
PT Bank BTPN Syariah Tbk	82.6%	82.6%	82.6%	82.6%
Bank CIMB Niaga Syariah	80.4%	80.4%	80.4%	80.4%
PT Bank Victoria Syariah	71.7%	71.7%	71.7%	71.7%
Sample mean	84.6%	85.9%	85.4%	85.3%

Source: Authors' computation. Banks are ordered by their three-year average.

The within-bank pattern over time is informative. Eight of the 14 banks maintain a constant disclosure score across the three years, suggesting that their annual reports follow a stable template. Five banks (Aladin Syariah, Bank Aceh Syariah, Maybank Syariah Indonesia, KB Bukopin Syariah, and Bank Panin Dubai Syariah) show modest improvements between 2021 and 2023. BCA Syariah shows a small decline from 91.3 percent to 89.1 percent, driven by the removal of one item in the Transparency and Disclosure dimension. Two banks (BTPN Syariah and Riau Kepri Syariah) exhibit non-monotonic movement with a peak in 2022 followed by a decline in

2023. Maybank Syariah Indonesia displays the largest single-year swing in the sample, from 91.3 percent in 2022 down to 80.4 percent in 2023. Most movements concentrate on the Transparency and Disclosure dimension.

Dimensional patterns

Table 4 presents the three-year mean disclosure score for each of the five dimensions.

Table 4. Dimensional Means, 2021–2023

Dimension	Sub-items	Mean (2021–2023)	Per cent
Shariah Committee	15	0.859	85.9%
Shariah Review	5	1.000	100.0%
Shariah Audit	6	0.956	95.6%
Shariah Risk	4	1.000	100.0%
Transparency and Disclosure	16	0.726	72.6%
Overall (46 items)	46	0.853	85.3%

Source: Authors' computation.

Shariah Review ($M = 1.000$) and Shariah Risk ($M = 1.000$) are uniformly disclosed across all 42 observations. Every Indonesian Islamic commercial bank, in every year of the observation period, discloses the qualifications of its Shariah Review officers, the scope of its review, the documentation of its process, the communication of review outcomes to the Board and Committee, and the provision of Shariah training. The same pattern holds for Shariah Risk: identification, mitigation, reporting, and implementation. Shariah Audit is similarly high at $M = 0.956$; the only systematic gap is in the disclosure of Shariah audit on a periodic basis for two banks in the lower half of the distribution.

The Shariah Committee dimension has an M value of 0.859. Two sub-items systematically depress the dimensional mean. Most banks meet the composition requirement of at least five Shariah Committee members, but this is rarely disclosed against the standard. The appointment-restriction requirement, that members must not be appointed from another Islamic financial institution's Shariah Committee, is rarely disclosed in Indonesia, regardless of whether it is actually complied with. The Transparency and Disclosure dimension is the weakest at $M = 0.726$, more than 27 percentage points below the two perfectly disclosed dimensions. Items most consistently under-disclosed within the dimension are: payment of zakat obligations on depositors (TD7); profile of Shariah Committee members (TD8); amount of zakat paid (TD12); involvement in non-permissible activities (TD13); and the procedural requirement that disclosures be signed by at least two Shariah Committee members (TD16), which is rarely met across the sample.

Procedural and substantive disclosure: an asymmetry

The dimensional pattern surfaces an asymmetry that the aggregate disclosure level masks. The two dimensions most closely tied to internal procedure, Shariah Review and Shariah

Risk, are universally disclosed. The dimension most closely tied to substantive accountability to external stakeholders, Transparency and Disclosure, is the weakest. Indonesian Islamic banks, on this evidence, are more disciplined at reporting that they have a process than at reporting what that process has produced. The asymmetry is not visible when SGD is treated as a single aggregate score. It becomes visible only when the index is decomposed by dimension and by item. The procedural-substantive distinction has policy implications, taken up in Section 5.

Item-level patterns

A finer-grained item-level inspection sharpens the picture. Within the Transparency and Disclosure dimension, four items are disclosed in fewer than 50 percent of sample-year combinations: TD7 (zakat obligations on depositors), TD12 (zakat amount), TD13 (involvement in non-permissible activities), and TD16 (signature by at least two SC members). Three items, by contrast, are disclosed at 100 percent: TD1 (disclosure of SC responsibilities), TD2 (opinion on compliance), and TD9 (financial information).

The Shariah Committee dimension shows a similar bifurcation. Items SC1 through SC4, covering qualifications, knowledge, independence, and the existence of a Shariah Committee report, are disclosed at 100 percent across the sample. Items SC5 (no appointment from another IFI) and SC6 (composition of at least five members) are below 10 percent, even though both are referenced in several international standards.

DISCUSSION

The empirical results support three sets of claims that engage with prior literature. The first concerns the level of disclosure. The 85.3 percent aggregate is substantially higher than the 57.38 percent global mean reported by Abdulrahman, Ebrahimi, and Al-Najjar (2024) and is broadly consistent with the upper range reported in Malaysian studies (Abdul Rahim, Shaharuddin, and Mohd Suki, 2024; Ab Ghani, Mohd Ariffin, and Abdul Rahman, 2024). It is meaningfully higher than the earlier Indonesian evidence summarised by Nurkhin et al. (2019). One reading is that Indonesian Islamic banking has matured into a disclosure regime that approaches the Malaysian benchmark, particularly following the 2021 BSI consolidation. A more cautious reading is that the binary index rewards procedural box-checking and that the aggregate overstates the sample's substantive accountability. The discussion below favors the cautious reading.

The second claim concerns the procedural-substantive asymmetry. The contrast between the universally disclosed Shariah Review and Shariah Risk dimensions, on the one hand, and the weakest-link Transparency and Disclosure dimension, on the other, has a coherent explanation in signaling theory. Procedural dimensions are observed through standardized statements that an institution has policies, processes, and reporting lines in place. They are low-cost signals to generate because the underlying procedures are mandated by regulation anyway. Substantive transparency items, by contrast, require the bank to publish operating information such as zakat

amounts, instances of non-permissible income, and the personal profiles of Shariah Committee members. These items are higher-cost signals because they expose the bank to scrutiny on substance. The signaling-cost asymmetry maps directly onto the disclosure asymmetry observed here.

This reading resonates with Sencal and Asutay (2021), who argued, based on mixed-methods discourse analysis, that Islamic banks' ethical disclosure is often elaborate in form but thin in substance. The results presented here suggest the same pattern in the disclosure architecture: the dimensions that are easy to disclose are fully disclosed, while the dimensions that bite are not.

The third claim concerns bank-level heterogeneity. The 21.8-percentage-point spread between Bank Mega Syariah at the top and Bank Victoria Syariah at the bottom is consistent with the determinants reported by Nurkhin et al. (2019), under which larger and more visible banks disclose more. The present descriptive evidence cannot directly test those determinants. A specific puzzle worth surfacing is the position of Bank Aladin Syariah, a recently launched digital Islamic bank, at third place in the sample. This sits uneasily with a pure size-and-age account of disclosure and suggests that newer banks may use high-quality disclosure as a deliberate market-entry signal, consistent with the signaling logic above.

Theoretical implications

Three theoretical implications follow. First, the SGD literature would benefit from routinely decomposing disclosure into procedural and substantive components. When studies report only aggregate indices, they may overstate the level of accountability achieved. The procedural-substantive distinction can be operationalized by classifying disclosure items *ex ante* as reporting a process or a process outcome, and by reporting separate means for each.

Second, the signaling-cost framework offers a parsimonious explanation for the empirical asymmetry. In environments where procedural disclosure is mandated, and substantive disclosure is encouraged but not enforced, banks will fully disclose the first and partially disclose the second. The Indonesian regulatory environment fits that description, and the observed pattern aligns with the framework's predictions. Third, the size-and-age determinants reported by Nurkhin et al. (2019) need to be supplemented with a market-entry-signal account. Aladin Syariah's position in the disclosure ranking suggests that disclosure may be a strategic investment by new entrants, rather than merely an inert function of institutional age.

Practical implications

For OJK and DSN-MUI, the procedural-substantive asymmetry maps onto specific items where regulatory disclosure expectations are weakest. Items TD7, TD12, TD13, and TD16, in particular, are under-disclosed at the population level. Strengthening disclosure expectations on zakat reporting, non-permissible activity reporting, and the dual-signature requirement for Shariah Committee statements would close the most visible accountability gaps without imposing new procedural burdens on banks. For bank management, the disclosure ranking is a

competitive signal. Banks at the lower end of the distribution, particularly Bank Victoria Syariah at 71.7 percent, are a measurable distance from the Indonesian frontier (Bank Mega Syariah at 93.5 percent). The gap consists almost entirely of items in the Transparency and Disclosure dimension that can be closed through reporting-format changes without underlying process change.

For depositors, investors, and the broader Muslim public, the aggregate disclosure level is a useful but coarse indicator. A more informative indicator is the dimensional disclosure, and the most informative is item-level disclosure on substantive items.

Limitations

Four limitations deserve explicit naming.

The first is jurisdictional scope. The analysis is confined to Indonesian Islamic commercial banks (Bank Umum Syariah) and excludes Islamic business units of conventional banks, Islamic regional development banks, and the broader Islamic financial industry. The findings may not generalize to those segments.

The second is the unweighted binary scheme. The index captures the presence of disclosure but not its depth, tone, or quality. Two banks scoring 1 on a given item may differ substantially in the substantive quality of their disclosure. Future work would benefit from supplementing the binary index with a depth-coding scheme along the lines suggested by Sencal and Asutay (2021).

The third is the absence of a performance link. The study does not estimate the relationship between disclosure and financial performance, although this is a natural next step. The prior literature has produced mixed evidence on this link (Abdul Rahim, Shaharuddin, and Mohd Suki, 2024; Ben Abdallah & Bahloul, 2021; Khomsatun, Rossietta, and Nasution, 2021), and a focused Indonesian study with proper controls would be a useful contribution.

The fourth is the three-year window. A longer horizon would permit stronger inferences about disclosure dynamics, particularly around the 2021 BSI merger and the spin-off transitions of Unit Usaha Syariah.

Future research

Four directions follow directly. First, extending the analysis to a multi-country Southeast Asian setting (Malaysia, Indonesia, Brunei, the Philippines) would allow a comparative test of the procedural-substantive asymmetry across regulatory regimes. Second, supplementing the binary index with depth coding for Transparency and Disclosure items would test whether the asymmetry persists under a quality-adjusted measure. Third, linking the disclosure index to financial performance (ROA, ROE) and Shariah-compliance performance (Shariah non-compliance income, qard al-hasan disbursements) would test whether substantive disclosure yields measurable outcomes. Fourth, examining the determinants of within-bank disclosure changes over time, particularly around regulatory updates, would help isolate the policy lever that most effectively moves disclosure.

CONCLUSION

This study has assessed the level and dimensional pattern of Shariah governance disclosure in the full population of 14 Indonesian Islamic commercial banks during the post-merger consolidation period of 2021–2023. The aggregate disclosure level is 85.3 percent, substantially higher than the global average of 57.38 percent reported by Abdulrahman, Ebrahimi, and Al-Najjar (2024). The aggregate, however, conceals a procedural-substantive asymmetry: the Shariah Review and Shariah Risk dimensions are universally disclosed, while the Transparency and Disclosure dimension is at 72.6 percent. Bank-level disclosure ranges from 71.7 percent at Bank Victoria Syariah to 93.5 percent at Bank Mega Syariah, a 21.8-percentage-point spread concentrated in the Transparency and Disclosure dimension.

The contributions of the study are threefold. It provides the most recent comprehensive mapping of SGD practice in the post-merger Indonesian Islamic banking industry. It isolates and names a procedural-substantive disclosure asymmetry that has not been explicitly named in prior Indonesian studies. Moreover, it identifies specific sub-items at which Indonesian Islamic banks systematically under-disclose and at which the regulatory attention of OJK and the standard-setting attention of DSN-MUI can be productively focused. The findings do not support strong claims about disclosure quality or about the substantive accountability of Indonesian Islamic banks. They do support more modest claims: procedural compliance is approaching the ceiling, substantive transparency is the next regulatory frontier, and the binary disclosure index, while widely used, is overdue for a depth-adjusted upgrade.

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