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Bridging Stakeholder Perceptions and Sustainability Reporting: A Comparative Systematic Review of Conventional and Sharia Banks in Indonesia

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Abstract

Sustainability reporting (SR) in the banking sector is increasingly expected to demonstrate not only regulatory compliance but also credible accountability to stakeholders. However, in Indonesia's dual banking system, there is limited systematic evidence on how SR shapes stakeholder perceptions differently between conventional and Sharia banks. This study examines the relationship between SR and stakeholder perceptions by comparing disclosure orientations, legitimacy mechanisms, and theoretical explanations across both banking systems. Using a Systematic Literature Review guided by the PRISMA 2020 framework and supported by Weighted Automated Text Analysis for Systematic Evaluation (WATASE), this study synthesizes nine peer-reviewed articles published between 2017 and 2024. The findings show that SR functions as a multidimensional accountability mechanism that strengthens transparency, stakeholder trust, and legitimacy. Conventional banks tend to frame SR in terms of ESG compliance, risk management, corporate governance, and investor confidence, reflecting an institutional legitimacy orientation. In contrast, Sharia banks integrate SR with Maqashid Syariah values, emphasizing justice, welfare, ethical stewardship, and moral accountability to build social and spiritual legitimacy. The theoretical integration of stakeholder theory, legitimacy theory, and Maqashid Syariah indicates that SR operates as both a governance instrument and a moral communication medium. This study contributes by developing a comparative accountability perspective that links SR quality, governance mechanisms, stakeholder trust, and legitimacy within Indonesia's sustainable banking landscape. In practice, the findings offer insights for regulators and banking practitioners to harmonize ESG-based reporting with Islamic governance principles.

JEL Classification: G21; M14; Q56; Z12

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Introduction

In recent decades, sustainability reporting (SR) in the financial sector has evolved from voluntary disclosure into a central mechanism of accountability, transparency, and stakeholder communication. Global initiatives such as the United Nations Sustainable Development Goals (SDGs) and the Paris Agreement have encouraged financial institutions to integrate environmental, social, and governance (ESG) considerations into their reporting practices (Adhariani & Sciulli, 2020; Gunawan et al., 2024). Within the banking sector, SR is no longer viewed merely as a technical report, but as an institutional instrument for strengthening legitimacy, managing stakeholder expectations, and improving firm performance and reputation (Saraswati et al., 2024; Sumarta et al., 2023). In emerging economies such as Indonesia, the importance of SR has become more pronounced since the issuance of Financial Services Authority Regulation No. 51/POJK.03/2017, which mandates sustainable finance disclosure for financial institutions, including banks.

Despite growing regulatory attention to sustainability reporting, an important issue remains unresolved: sustainability disclosure does not automatically guarantee stakeholder trust. Stakeholders increasingly evaluate whether sustainability reports reflect credible accountability, material disclosure, and genuine ethical commitment rather than symbolic compliance. This issue is particularly relevant in the banking industry because banks manage public funds, mediate capital allocation, and influence broader social and environmental outcomes. Therefore, understanding stakeholder perceptions of SR is essential, as these perceptions determine whether sustainability disclosure is interpreted as a credible signal of responsibility or merely as a formal response to regulatory pressure.

Indonesia provides a unique context for examining this issue because its financial system consists of both conventional and Islamic (Sharia) banks. These two banking systems operate within the same regulatory environment but are guided by different institutional logics. Conventional banks generally emphasize profitability, shareholder value, risk management, and compliance with ESG-based governance frameworks. In contrast, Sharia banks are expected to align their operations with Maqashid Syariah, which emphasizes justice, welfare, ethical conduct, and spiritual accountability (Ghoniyah et al., 2020; Sodiq et al., 2024). These differences may influence not only how sustainability reports are structured, but also how stakeholders perceive the credibility, legitimacy, and social value of those reports (Arifah & Hudayati, 2023; Saifurrahman & Kassim, 2023). The distinction between conventional and Sharia banking is also reflected in their orientations toward sustainability disclosure. Sharia banks often highlight social welfare and moral legitimacy through instruments such as zakat, qard al-hasan, and microfinance programs (Junaidi et al., 2023). Conversely, conventional banks tend to emphasize compliance with ESG standards, corporate governance mechanisms, and risk management practices as part of their accountability strategy (Amidjaya & Widagdo, 2020; Mutamimah & Saputri, 2023). Consequently, stakeholder perceptions of SR may vary depending on whether disclosure is framed as institutional compliance, strategic governance, social responsibility, or moral accountability.

The theoretical foundation of this study draws on three complementary perspectives: stakeholder theory, legitimacy theory, and the Maqashid Syariah framework. Stakeholder theory explains that corporations must align their reporting practices with the interests and expectations of multiple stakeholder groups to maintain trust and long-term relationships (Cornell & Shapiro, 2021; Shen & Zhang, 2020). Legitimacy theory complements this view by arguing that organizations seek social acceptance by aligning their actions and disclosures with prevailing societal norms and expectations (Suchman, 1995). In the context of Islamic banking, legitimacy extends beyond institutional compliance, as Sharia banks are also accountable to the moral and spiritual principles embedded in Islamic values (Mukhibad et al., 2022). The integration of these perspectives provides a relevant framework for explaining how SR bridges organizational accountability, stakeholder perception, and legitimacy in both conventional and Sharia banking contexts.

Empirical studies in Indonesia have produced diverse findings regarding the relationship between sustainability disclosure, governance mechanisms, and stakeholder-related outcomes. Saraswati et al. (2024) found that board activity and board size positively influence materiality and stakeholder engagement in sustainability reports. Sumarta et al. (2023) showed that ownership structure significantly affects corporate reputation through SR. Mutamimah and Saputri (2023) demonstrated that good corporate governance moderates the relationship between financing risk and firm performance, indicating that strong governance can enhance stakeholder confidence. Meanwhile, Arifah and Hudayati (2023) highlighted that Sharia-based disclosure emphasizes social accountability and moral integrity rather than solely profit-oriented performance. These findings suggest that SR in the banking sector cannot be understood through a single governance lens; rather, it must be examined within a comparative framework that accounts for institutional, ethical, and cultural differences.

The urgency of this study is further strengthened by the expansion of digitalization and the growth of sustainable finance regulation. Digital assurance mechanisms, including blockchain-based verification and AI-driven sustainability analytics, have been proposed to improve the credibility of reporting and reduce information asymmetry (Cherni & Ben Amar, 2024; Kismawadi et al., 2025). In Indonesia, regulatory institutions such as the Financial Services Authority and Islamic governance bodies increasingly encourage the alignment between ESG principles and Maqashid Syariah to support inclusive, accountable, and sustainable finance (Dasopang, 2025; Yudaruddin et al., 2025). However, existing studies remain fragmented. Some focus on ESG compliance and governance mechanisms in conventional banks, while others examine ethical and social accountability in Sharia banks. Limited systematic evidence explains how these two disclosure logics shape stakeholder perceptions within Indonesia's dual banking system.

Accordingly, this study addresses three research questions. First, how does sustainability reporting influence stakeholder perceptions in Indonesia's banking sector? Second, how do sustainability reporting practices differ between conventional and Sharia banks? Third, how can stakeholder theory, legitimacy theory, and Maqashid Syariah be integrated to explain variations in sustainability reporting and stakeholder perception? By answering these questions, this study aims to provide a systematic and comparative synthesis of SR practices in Indonesia's dual banking system.

To address these objectives, this study employs a Systematic Literature Review (SLR) guided by the PRISMA 2020 protocol and supported by Weighted Automated Text Analysis for Systematic Evaluation (WATASE). The study synthesizes evidence from nine peer-reviewed studies published between 2017 and 2024. The expected contribution is twofold. Theoretically, this study develops a multidimensional accountability perspective that links SR quality, governance mechanisms, stakeholder trust, institutional legitimacy, and moral legitimacy. Practically, this study offers insights for regulators and banking practitioners in harmonizing ESG-based sustainability reporting with Islamic governance principles to strengthen stakeholder trust in Indonesia's sustainable banking landscape.

Literature Review

Sustainability Reporting and Stakeholder Perceptions in the Banking Sector

Sustainability reporting (SR) has become an important mechanism for communicating economic, social, environmental, and governance performance to stakeholders. In the banking sector, SR has a strategic role because banks not only operate as financial intermediaries but also manage public trust, allocate capital, and influence broader social and environmental outcomes. Therefore, sustainability reporting is closely related to how stakeholders evaluate a bank's transparency, accountability, and legitimacy. Prior studies indicate that SR helps financial institutions demonstrate responsibility to regulators, investors, customers, employees, and society (Adhariani & du Toit, 2020; Gunawan et al., 2024).

From a stakeholder perspective, the value of SR lies not merely in the quantity of information disclosed, but in the perceived relevance, credibility, and materiality of the information presented. Transparent sustainability disclosure signals that banks are responsive to stakeholder expectations and willing to be accountable for their economic, social, and environmental impacts (Dmytriyev et al., 2021; Phillips et al., 2017; Rissy, 2021). In this sense, SR serves as a trust-building mechanism that links internal governance practices to external stakeholder confidence. When sustainability information is perceived as material and credible, it can strengthen institutional reputation and reduce information asymmetry between banks and their stakeholders.

Empirical studies in the Indonesian banking context support this relationship. Saraswati et al. (2024) found that board activity and board size improve the materiality and stakeholder engagement dimensions of sustainability reporting. These findings indicate that governance structures influence how banks identify, prioritize, and communicate sustainability issues. Sumarta et al. (2023) further showed that ownership structure, particularly government and public ownership, strengthens the relationship between SR and corporate reputation. These studies suggest that stakeholder perception is shaped not only by sustainability disclosure itself, but also by the governance mechanisms that support the credibility of such disclosure.

International and Indonesian evidence also shows that high-quality SR can improve market reputation and stakeholder confidence (Taufik et al., 2023; Wijayanti & Setiawan, 2024). However, sustainability reporting may lose its legitimacy value when it is perceived as symbolic, generic, or disconnected from actual organizational behavior. Weak disclosure, limited materiality, and the absence of ethical consistency may reduce stakeholder trust, especially when sustainability reports are used primarily to satisfy formal compliance requirements (Cherni & Ben Amar, 2024; Hartanto & Jumhur, 2016). This issue is highly relevant in Indonesia because OJK Regulation No. 51/POJK.03/2017 has institutionalized sustainable finance reporting, making SR increasingly mandatory for financial institutions.

The existing literature therefore shows a key empirical gap. Most studies have examined SR through governance quality, disclosure compliance, reputation, or financial performance. However, fewer studies have systematically compared stakeholders' perceptions of SR across different banking logics, particularly between conventional and Sharia banks. This gap is important because the same sustainability disclosure may generate different meanings depending on whether it is interpreted as ESG compliance, governance accountability, social responsibility, or moral-religious accountability.

Comparative Perspectives: Conventional versus Sharia Banking Practices

Indonesia's dual banking system provides a distinctive context for comparing sustainability reporting practices. Conventional banks and Sharia banks operate under the same national regulatory environment, but they are shaped by different institutional foundations. Conventional banks are generally driven by profitability, shareholder value, risk management, and compliance with governance standards. In contrast, Sharia banks are expected to integrate financial activities with Islamic ethical values, including justice, welfare, trustworthiness, and social responsibility (Arifah & Hudayati, 2023; Ghoniyah et al., 2020).

These institutional differences shape the orientation of sustainability reporting. Conventional banks tend to emphasize ESG compliance, corporate governance, ownership structure, risk management, and alignment with international reporting frameworks (Amidjaya & Widagdo, 2020; Kartadjumena & Rodgers, 2019). In this context, SR functions as an institutional legitimacy mechanism. It allows conventional banks to demonstrate that they meet regulatory expectations, manage sustainability-related risks, and respond to investor demands for transparent ESG information.

Sharia banks, on the other hand, embed sustainability reporting within a broader moral and spiritual accountability framework. Their reporting practices are closely related to Maqashid Syariah, which emphasizes the protection of religion, life, intellect, lineage, and wealth. This framework expands the meaning of SR beyond technical disclosure because sustainability information is expected to reflect ethical conduct, social justice, and public welfare (Mukhibad et al., 2022). Therefore, Sharia-based SR is not only directed toward investors and regulators but also toward communities and faith-based stakeholders who assess whether banking practices align with Islamic values.

Empirical comparisons indicate that Islamic banks often place greater emphasis on social disclosure, but they may face challenges in environmental reporting due to technological limitations, cost constraints, and institutional capacity constraints (Nofianti, 2019; Noordin & Syed Jaafar Alhabshi, 2023). Sodiq et al. (2024)

found that Islamic leadership and Sharia engagement enhance internal performance and stakeholder satisfaction. Junaidi et al. (2023) also showed that Islamic financing contributes to poverty reduction and regional growth, reinforcing the perception that Sharia banks create social value beyond financial performance.

Nevertheless, Sharia banks also face structural challenges in translating ethical principles into measurable sustainability outcomes. Mutamimah and Saputri (2023) showed that good corporate governance moderates financing risk in Islamic banks, indicating that ethical finance principles must be supported by strong governance systems. Saifurrahman and Kassim (2023) highlighted regulatory and administrative barriers affecting Islamic banks' inclusion of micro, small, and medium enterprises (MSMEs). These constraints may create a perception gap: Sharia banks may possess strong moral legitimacy, but their perceived institutional effectiveness depends on their ability to demonstrate measurable social and economic impact.

The comparison between conventional and Sharia banks shows that both banking systems pursue sustainability, but through different legitimacy mechanisms. Conventional banks tend to build institutional legitimacy through ESG compliance, governance transparency, and risk control. Sharia banks tend to build moral legitimacy through ethical financing, social welfare, and alignment with Maqashid Syariah. This distinction suggests that stakeholder perceptions are not formed solely by disclosure content but by the perceived congruence among reporting orientation, governance credibility, and the values expected of each banking system.

Theoretical Integration: Stakeholder Theory, Legitimacy Theory, and Maqashid Syariah

The integration of stakeholder theory, legitimacy theory, and Maqashid Syariah provides a comprehensive lens for understanding sustainability reporting in Indonesia's dual banking system. Each theoretical perspective explains a different dimension of SR. Stakeholder theory explains why banks must respond to the information needs of multiple stakeholder groups. Legitimacy theory explains how SR helps banks obtain social acceptance. Maqashid Syariah explains how Islamic banks extend accountability beyond economic and institutional dimensions toward moral and spiritual responsibility.

Stakeholder theory, as introduced by Freeman (1984/2010), emphasizes that firms are accountable to multiple groups affected by organizational activities. In banking, stakeholders include depositors, investors, regulators, employees, customers, communities, and wider society (Rissy, 2021; Samargandi et al., 2018). Sustainability reporting becomes a communication mechanism through which banks demonstrate responsiveness to stakeholder interests. For conventional banks, this responsiveness is often expressed through ESG indicators, governance information, and risk management disclosure. For Sharia banks, stakeholder accountability also includes social justice, welfare, and ethical responsibility to the community.

Legitimacy theory complements stakeholder theory by explaining how organizations seek social approval by aligning their activities with societal norms and expectations (Suchman, 1995). In sustainability reporting, banks disclose environmental, social, and governance information to demonstrate that their operations align with regulatory standards and public expectations (Adhariani & du Toit, 2020; Gunawan et al., 2024). For conventional banks, legitimacy is often built through compliance with OJK regulations, ESG standards, and governance frameworks. For Islamic banks, legitimacy includes both societal acceptance and spiritual accountability, because banking practices must be consistent with Sharia principles (Mukhlisin et al., 2015).

Maqashid Syariah expands the concept of legitimacy by placing justice, welfare, trustworthiness, and ethical stewardship at the center of financial accountability. In this perspective, sustainability reporting is not only a technical disclosure instrument but also a moral communication tool. Islamic banks are expected to report how their financing, governance, and social programs contribute to maslahah and prevent harm. This ethical orientation strengthens the relevance of SR for stakeholders who evaluate Islamic banks not merely on financial outcomes but also on their contributions to social welfare and moral responsibility (Hamidi et al., 2024; Taufik et al., 2023).

Recent studies suggest that combining these theoretical perspectives improves the explanatory power of sustainability reporting research. Dasopang (2025) and Yudaruddin et al. (2025) indicate that the alignment between ESG principles and Islamic governance is increasingly important for sustainable finance. Wijayanti and Setiawan (2023) found that board diversity and Sharia Supervisory Board oversight can improve SR quality, linking governance mechanisms with ethical disclosure. Kismawadi et al. (2025) further argued that digital sustainability assurance can strengthen stakeholder trust by improving the credibility and authenticity of sustainability data.

The theoretical positioning of this study is summarized in Table 1. The table clarifies how each theory contributes to the analysis of sustainability reporting and stakeholder perception in conventional and Sharia banking contexts.

Table 1. Theoretical Positioning of Sustainability Reporting and Stakeholder Perception

Theory/ Perspective	Main Focus	Key Indicators	Relevance to Sustainability Reporting	Relevance to Banking Context
Stakeholder Theory	Alignment between organizational actions and stakeholder expectations	Stakeholder engagement, transparency, materiality, responsiveness, trust	Explains how SR communicates accountability to stakeholders and reduces information asymmetry	Relevant to both conventional and Sharia banks because both must respond to regulators, investors, customers, employees, and society
Legitimacy Theory	Alignment between organizational behavior and social norms	Institutional acceptance, regulatory compliance, reputation, social approval	Explains how SR functions as a legitimacy mechanism through ESG disclosure and governance transparency	Particularly relevant to conventional banks that emphasize compliance, ESG standards, and investor confidence
Maqashid Syariah	Ethical and spiritual accountability based on Islamic objectives	Justice, welfare, trustworthiness, ethical financing, social inclusion, Sharia compliance	Explains how SR becomes a moral communication tool that reflects social value and ethical responsibility	Particularly relevant to Sharia banks because sustainability is linked to moral legitimacy and Islamic governance

Overall, the literature indicates that sustainability reporting operates through three interconnected mechanisms. First, it functions as a stakeholder communication mechanism by providing information on governance, ESG performance, and social responsibility. Second, it functions as a legitimacy mechanism by helping banks align with regulatory, social, and market expectations. Third, in Sharia banking, it functions as a moral accountability mechanism by linking disclosure practices with Maqashid Syariah. This integration provides the conceptual foundation for examining how SR shapes stakeholder perceptions differently in conventional and Sharia banks in Indonesia.

Method

Research Design

This study employed a Systematic Literature Review (SLR) to synthesize prior research on the relationship between sustainability reporting (SR) and stakeholder perceptions in Indonesia's dual banking system. The SLR approach was selected because it enables a transparent, structured, and reproducible synthesis of fragmented empirical findings across different research contexts. This method is particularly relevant for the present study because existing research on sustainability reporting in Indonesian banking remains dispersed across several themes, including ESG compliance, corporate governance, stakeholder trust, Sharia governance, and Maqashid Syariah-based accountability.

The review process was guided by the PRISMA 2020 framework to ensure methodological transparency in identifying, screening, assessing, and selecting relevant studies. The use of PRISMA enabled this study to systematically document each stage of article selection, from the initial identification of studies to the final inclusion of articles for thematic synthesis. This study also applied Weighted Automated Text Analysis for Systematic Evaluation (WATASE) to support the thematic analysis process and strengthen the consistency of interpretation across the reviewed articles.

Data Sources and Search Strategy

A comprehensive literature search was conducted using four major academic databases: Scopus, ScienceDirect, Emerald Insight, and Taylor & Francis Online. These databases were selected because they provide access to peer-reviewed journal articles in accounting, finance, banking, sustainability, corporate governance, and Islamic finance. The search covered articles published between 2017 and 2024. This period was chosen to capture the development of sustainability reporting practices after the introduction of sustainable finance regulation in Indonesia, particularly following Financial Services Authority Regulation No. 51/POJK.03/2017.

The search strategy used combinations of keywords related to sustainability reporting, stakeholder perception, banking, Islamic banking, conventional banking, and Indonesia. The main search terms included: "sustainability reporting," "sustainability disclosure," "stakeholder perception," "stakeholder trust," "legitimacy," "Islamic banking," "Sharia banking," "conventional banking," "corporate governance," "Maqashid Syariah," and "Indonesia." Boolean operators were used to combine these terms and improve the precision of search results.

The initial search produced 374 articles. After removing duplicates and studies unrelated to banking, sustainability reporting, or stakeholder-related outcomes, 221 articles proceeded to the screening stage. At the eligibility stage, 47 articles were reviewed in full text. Finally, 9 articles met all inclusion criteria and were retained for in-depth synthesis.

Inclusion and Exclusion Criteria

Clear inclusion and exclusion criteria were established to ensure the relevance and quality of the selected articles. Articles were included if they met the following criteria: published in peer-reviewed journals; written in English; published between 2017 and 2024; focused on Indonesia or included Indonesia as a primary research context; examined sustainability reporting, sustainability disclosure, ESG disclosure, stakeholder perception, legitimacy, corporate governance, or Sharia-based accountability; and discussed conventional banks, Sharia banks, or the broader Indonesian financial sector. Articles were excluded if they: focused on non-banking industries; did not discuss sustainability reporting or stakeholder-related outcomes; were purely conceptual without empirical evidence; were not related to Indonesia; were conference papers, book chapters, editorials, or non-peer-reviewed publications; and did not provide sufficient methodological or empirical information for synthesis. The inclusion of 9 final articles was considered appropriate for thematic synthesis because these studies directly addressed the review's core focus. Although the number of final articles was limited, the selected studies represented the most relevant empirical evidence on sustainability reporting, stakeholder perception, governance mechanisms, legitimacy, and Sharia-based accountability in

Indonesia's banking context. Therefore, the emphasis of this review was placed on the depth, relevance, and conceptual fit of the selected studies rather than on the quantity of articles alone.

Article Selection Process

The article selection process followed four stages: identification, screening, eligibility, and inclusion. In the identification stage, all records obtained from the selected databases were compiled. Duplicate records were removed before the screening stage. In the screening stage, titles, abstracts, and keywords were examined to identify articles relevant to sustainability reporting and stakeholder perception in the banking sector.

In the eligibility stage, full-text articles were reviewed to determine whether they met the inclusion criteria. Particular attention was given to whether the articles discussed sustainability reporting practices, stakeholder-related outcomes, governance mechanisms, legitimacy, or Sharia-based accountability in Indonesia. Articles that did not directly contribute to the research objectives were excluded. The final inclusion stage resulted in 9 articles that formed the basis of the thematic synthesis.

The selection process was documented using the PRISMA flow diagram to ensure transparency and replicability. The PRISMA process also helped clarify how the initial pool of articles was narrowed down into a focused body of literature suitable for comparative analysis.

Data Extraction Procedure

Data extraction was conducted using a structured synthesis matrix. The matrix recorded key information from each selected article, including author(s), year of publication, research objective, theoretical perspective, research method, banking context, main findings, and relevance to the present study. The extracted data were then organized according to three analytical categories aligned with the research questions: the influence of sustainability reporting on stakeholder perceptions; comparative sustainability reporting practices between conventional and Sharia banks; and theoretical integration between stakeholder theory, legitimacy theory, and Maqashid Syariah.

This structured extraction process enabled the study to systematically compare findings across articles. It also helped identify recurring patterns, conceptual differences, and empirical gaps in the literature. By using a synthesis matrix, this study reduced the risk of selective interpretation and ensured that each article contributed clearly to the review objectives.

WATASE-Based Thematic Analysis

To support the manual thematic review, this study applied Weighted Automated Text Analysis for Systematic Evaluation (WATASE). WATASE was used as a semi-automated analytical tool to identify dominant concepts, thematic frequencies, and relational patterns across the reviewed articles. The WATASE process consisted of three stages.

First, text pre-processing was conducted by cleaning, organizing, and normalizing relevant text segments from the selected articles, including abstracts, methods, findings, and discussion sections. Second, keyword weighting was applied to identify frequently occurring and conceptually important terms, such as "governance," "legitimacy," "stakeholder," "trust," "ESG," "Sharia," and "Maqashid." Third, theme clustering grouped related concepts into broader thematic categories corresponding to the research questions.

The use of WATASE was intended to strengthen the consistency of thematic interpretation. It did not replace the role of researcher judgment but functioned as an analytical support tool to validate whether the themes emerging from manual review were consistent with the dominant textual patterns found across the selected studies.

Triangulation and Reliability Procedure

To enhance the credibility of the synthesis, this study employed methodological triangulation by comparing the results of manual thematic coding with those of the WATASE-based analysis. Manual coding was used to interpret the theoretical meaning, research context, and substantive findings of each article. WATASE was used to identify recurring keywords, thematic clusters, and the relative prominence of concepts across the reviewed literature.

The triangulation process involved three steps. First, the themes generated from manual coding were compared with the thematic clusters produced through WATASE. Second, similarities and differences between the two analytical outputs were reviewed. Third, any inconsistencies were discussed and resolved through iterative cross-checking until a stable thematic interpretation was obtained. This procedure ensured that the final synthesis was not based solely on subjective interpretation but was supported by both researcher-based analysis and semi-automated text analysis.

This study did not report numerical inter-rater reliability because the validation process relied on consensus-oriented cross-checking rather than a statistical reliability test such as Cohen's Kappa. However, reliability was strengthened through systematic coding procedures, repeated review of extracted data, comparison between manual and WATASE outputs, and transparent documentation of analytical decisions.

Data Synthesis

The synthesis was conducted using a thematic and comparative approach. First, the selected articles were analyzed to identify how sustainability reporting influences stakeholder perceptions in Indonesian banking. Second, the findings were compared across conventional and Sharia banking contexts to identify differences in disclosure orientation, legitimacy mechanisms, governance structures, and stakeholder responses. Third, the results were interpreted by integrating stakeholder theory, legitimacy theory, and Maqashid Syariah.

The synthesis focused not only on summarizing individual studies but also on developing a comparative conceptual understanding of sustainability reporting in Indonesia's dual banking system. This approach enabled the study to identify how conventional banks tend to emphasize institutional legitimacy through ESG compliance and governance transparency, while Sharia banks tend to emphasize moral legitimacy through ethical accountability and Maqashid Syariah-based disclosure.

Result and Discussion

Article Selection and Descriptive Overview

The systematic identification process followed the PRISMA 2020 protocol and consisted of four main stages: identification, screening, eligibility, and inclusion. Initially, 374 articles were identified from Scopus, ScienceDirect, Emerald Insight, and Taylor & Francis Online. After removing duplicates and studies unrelated to banking, sustainability reporting, or stakeholder-related outcomes, 221 articles proceeded to the screening stage.

At the eligibility stage, 47 full-text articles were assessed based on the inclusion and exclusion criteria. Articles were excluded if they focused on non-Indonesian contexts, did not examine sustainability reporting or stakeholder-related variables, or were conceptual papers without empirical evidence. Finally, 9 peer-reviewed empirical articles met all inclusion criteria and were retained for in-depth synthesis. These studies were considered relevant because they examined sustainability reporting, governance mechanisms, stakeholder engagement, legitimacy, or comparative accountability practices in conventional and Sharia banking contexts.

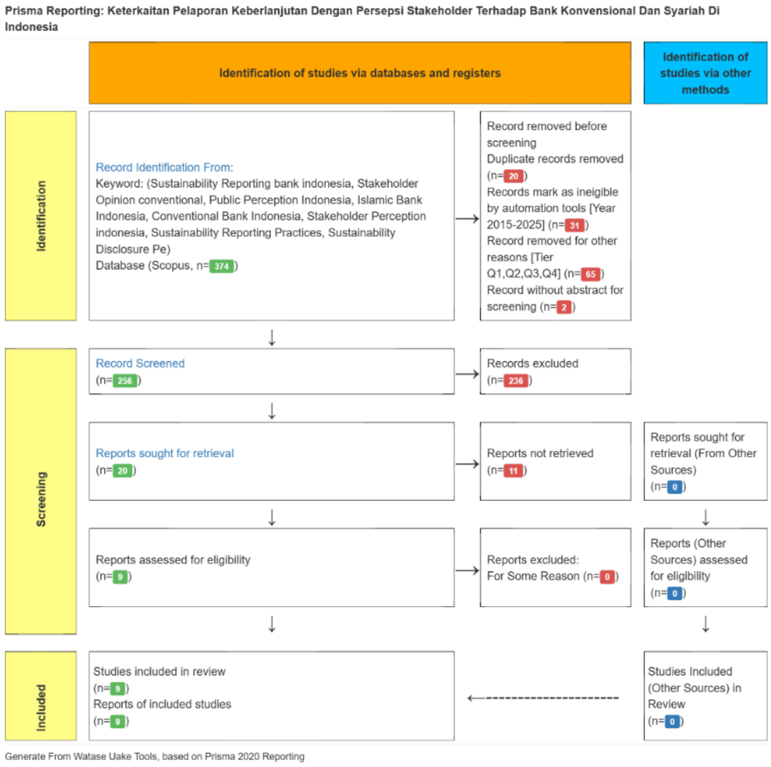

Figure 1. PRISMA Model

Table 2. Articles Included in the Systematic Literature Review

Author(s) & Year	Research Focus	Banking Context	Main Findings	Relevance to Current Study
Adhariani and du Toit (2020)	Sustainability disclosure practices in Indonesian banks	Conventional and Sharia banks	Sustainability reporting is used to gain legitimacy and respond to compliance pressures	Shows legitimacy motivation in SR practices
Ghoniyah et al. (2020)	SDG achievement through Sharia-compliant finance	Sharia banks	Islamic principles support social sustainability and ethical accountability	Demonstrates Maqashid-oriented sustainability reporting
Sumarta et al. (2023)	Ownership structure and reputation	Conventional banks	Government and public ownership strengthen the relationship between SR and reputation	Validates the role of SR in shaping stakeholder perception
Saraswati et al. (2024)	Corporate governance and SR quality	Banking sector	Board activity and board size improve SR quality and stakeholder engagement	Connects governance mechanisms with stakeholder trust
Mutamimah and Saputri (2023)	GCG and risk mitigation in Islamic banks	Sharia banks	Governance moderates financing risk and strengthens sustainability-oriented performance	Links governance, risk control, and trust-building
Junaidi et al. (2023)	Islamic finance and social inclusion	Islamic rural banks	Sharia-based financing contributes to poverty reduction and regional development	Highlights stakeholder benefits through social value creation
Saifurrahman and Kassim (2023)	Regulatory inclusion of MSMEs in Sharia banking	Islamic banks	Institutional and regulatory barriers limit the effectiveness of MSME inclusion	Shows perception gaps among stakeholders

Author(s) & Year	Research Focus	Banking Context	Main Findings	Relevance to Current Study
Sodiq et al. (2024)	Islamic leadership and stakeholder trust	Sharia banks	Islamic leadership and Sharia engagement improve performance and stakeholder trust	Demonstrates ethical legitimacy in SR
Roziq and Ilma Ahmad (2024)	Financial performance and ESG integration	Conventional banks	ESG integration strengthens performance and economic legitimacy	Supports evidence of SR as an economic legitimacy mechanism

The nine selected studies provide a focused empirical basis for understanding sustainability reporting in Indonesia's dual banking system. Five studies emphasize governance-driven or compliance-based reporting practices, particularly in conventional banking contexts (Adhariani & du Toit, 2020; Mutamimah & Saputri, 2023; Roziq & Ilma Ahmad, 2024; Saraswati et al., 2024; Sumarta et al., 2023). These studies show that SR quality, board engagement, ownership structure, ESG integration, and risk control strengthen stakeholder confidence and institutional legitimacy.

Four studies focus more explicitly on ethical, social, and spiritual dimensions of sustainability in Sharia banking (Ghoniyah et al., 2020; Junaidi et al., 2023; Saifurrahman & Kassim, 2023; Sodiq et al., 2024). These studies indicate that Sharia banks construct stakeholder trust through Maqashid Syariah values, Islamic leadership, social inclusion, and moral accountability. However, they also reveal structural challenges, including regulatory fragmentation, limited inclusion of MSMEs, and a need for stronger governance capacity.

Triangulation of Manual Review and WATASE Results

To strengthen the synthesis's credibility, this study compared manual thematic coding with WATASE-based textual patterns. Manual coding was used to interpret the substantive meaning of each article, while WATASE supported the identification of dominant concepts and thematic clusters. The comparison confirms that both approaches produced convergent themes around governance, legitimacy, stakeholder trust, ESG compliance, and Maqashid Syariah-based accountability.

Table 3. Triangulation between Manual Thematic Review and WATASE Output

Analytical Theme	Manual Thematic Review	WATASE-Based Pattern	Triangulated Interpretation
SR and stakeholder trust	SR strengthens stakeholder confidence when disclosure is transparent, material, and supported by governance mechanisms	Dominant terms: "stakeholder," "trust," "transparency," "materiality," "governance"	SR affects stakeholder perception through credible disclosure and governance-backed transparency
Governance and legitimacy	Board activity, ownership structure, and GCG improve SR quality and reputation	Dominant terms: "governance," "board," "ownership," "legitimacy," "risk"	Governance mechanisms act as internal credibility anchors for external legitimacy
Conventional banking orientation	Conventional banks emphasize ESG compliance, risk management, reputation, and investor confidence	Dominant terms: "ESG," "compliance," "performance," "risk," "reputation"	Conventional banks build institutional legitimacy through measurable ESG and governance indicators
Sharia banking orientation	Sharia banks emphasize Maqashid Syariah, justice, welfare, social inclusion, and ethical accountability	Dominant terms: "Sharia," "Maqashid," "welfare," "justice," "Islamic"	Sharia banks build moral legitimacy through ethical and spiritual accountability
Stakeholder perception gap	Stakeholders may question SR credibility when disclosure is symbolic, fragmented, or weakly connected to real impact	Dominant terms: "barriers," "inclusion," "credibility," "accountability"	Stakeholder trust depends on the alignment between disclosure content, governance practice, and social impact

The triangulation confirms that sustainability reporting in Indonesian banking is not merely a disclosure practice. It functions as a mechanism through which banks negotiate trust, legitimacy, and accountability with their stakeholders. The consistency between manual review and WATASE output also strengthens the reliability of the thematic synthesis.

The Influence of Sustainability Reporting on Stakeholder Perceptions

The evidence from the reviewed studies shows that sustainability reporting influences stakeholder perceptions through three main mechanisms: transparency, materiality, and credibility. SR improves transparency by providing information about governance, ESG performance, risk management, and social responsibility. It strengthens materiality by disclosing issues that are relevant to stakeholders. It also enhances credibility when the disclosed information is supported by governance structures and consistent institutional behavior.

Saraswati et al. (2024) found that board activity and board size improve the materiality and stakeholder engagement dimensions of sustainability reporting. This finding suggests that internal governance mechanisms shape how banks identify and communicate sustainability issues. Banks with more active boards tend to provide more credible and stakeholder-oriented sustainability information. Sumarta et al. (2023) further demonstrated that ownership structure strengthens the relationship between SR and corporate reputation. Public and government ownership may increase accountability pressure, encouraging banks to disclose more comprehensive sustainability information.

However, stakeholder trust is not formed only by the existence of sustainability reports. Adhariani and du Toit (2020) showed that sustainability disclosure in Indonesian banks is often driven by legitimacy and compliance considerations. This indicates that SR can be perceived as either substantive accountability or symbolic compliance, depending on how stakeholders assess the sincerity and usefulness of the disclosed information. When disclosure is too generic or weakly connected to actual governance practices, its ability to build trust becomes limited.

In Sharia banking, stakeholder perception is shaped by both disclosure quality and moral consistency. Ghoniyah et al. (2020) show that Islamic values can support social sustainability, while Arifah and Hudayati (2023) emphasize the importance of Sharia-based disclosure and governance. Sustainability reporting in Sharia banks is therefore expected to communicate not only financial and ESG performance, but also justice, welfare, trustworthiness, and ethical responsibility. Junaidi et al. (2023) provide evidence that Islamic financing contributes to poverty reduction and regional development, reinforcing stakeholder perceptions of social value creation. Sodiq et al. (2024) further show that Islamic leadership and Sharia engagement strengthen performance and trust.

The synthesis indicates that SR shapes stakeholder perceptions when stakeholders perceive alignment between disclosure, governance, and actual impact. In conventional banks, stakeholders tend to evaluate SR through ESG compliance, governance quality, and financial credibility. In Sharia banks, stakeholders also evaluate whether SR reflects Maqashid Syariah values and social responsibility. Therefore, stakeholder perception is not determined by disclosure volume alone, but by the perceived congruence between what banks report, how they are governed, and how they contribute to society.

Comparative Matrix of Sustainability Reporting Practices in Conventional and Sharia Banks

The comparative analysis shows that conventional and Sharia banks share the same broad objective of strengthening accountability and sustainable finance. However, they differ in reporting orientation, legitimacy logic, stakeholder emphasis, and accountability foundation.

Table 4. Comparative Matrix of Sustainability Reporting in Conventional and Sharia Banks

Dimension	Conventional Banks	Sharia Banks	Comparative Interpretation
Main orientation of SR	ESG compliance, governance transparency, risk management, and investor confidence	Maqashid Syariah, ethical accountability, social welfare, and spiritual responsibility	Both systems use SR to build trust, but they rely on different accountability foundations
Legitimacy logic	Institutional legitimacy through regulatory compliance and measurable ESG indicators	Moral legitimacy through justice, welfare, trustworthiness, and Sharia compliance	Conventional banks emphasize compliance credibility; Sharia banks emphasize ethical credibility
Dominant stakeholder group	Investors, regulators, shareholders, and market participants	Regulators, Muslim communities, depositors, customers, MSMEs, and society	Stakeholder expectations differ according to institutional and religious values
Key disclosure focus	ESG performance, corporate governance, risk mitigation, ownership structure, and reputation	Zakat, qard al-hasan, Islamic financing, social inclusion, Sharia governance, and community development	Disclosure priorities reflect different institutional logics
Governance mechanism	Board activity, board independence, ownership structure, audit committee, and GCG	Sharia Supervisory Board, Islamic leadership, GCG, and Sharia engagement	Sharia banks combine corporate governance with religious governance
Trust-building mechanism	Data-driven disclosure, compliance assurance, risk control, and financial performance	Ethical consistency, social impact, faith-based accountability, and welfare orientation	Trust is formed through technical credibility in conventional banks and moral credibility in Sharia banks
Main limitation	Risk of symbolic compliance and overemphasis on formal ESG disclosure	Risk of limited measurability, regulatory fragmentation, and constraints in MSME inclusion	Both systems face credibility gaps, but the sources of the gaps differ
Expected contribution of SR	Strengthening investor confidence and institutional reputation	Strengthening moral trust, social legitimacy, and community engagement	SR becomes both a governance instrument and a moral communication medium

This matrix demonstrates that conventional banks and Sharia banks do not differ simply in the amount of sustainability information disclosed. They differ in the meaning attached to disclosure. Conventional banks tend to present SR as evidence of compliance, governance capability, and risk control. Sharia banks tend to present SR as evidence of ethical commitment, social responsibility, and alignment with Islamic values.

The distinction also affects stakeholder interpretation. Investors and regulators may respond more strongly to measurable ESG indicators, governance quality, and risk management. Community and faith-based stakeholders may respond more strongly to social welfare, ethical financing, and alignment with Maqashid Syariah. Thus, the effectiveness of SR depends on whether the disclosure matches the values and expectations of its intended stakeholders.

Comparative Practices between Conventional and Sharia Banks

In conventional banks, sustainability reporting is closely linked to corporate governance, market discipline, and regulatory compliance. Saraswati et al. (2024) show that board characteristics influence SR quality, while Sumarta et al. (2023) demonstrate the role of ownership structure in strengthening reputation through sustainability disclosure. Roziq and Ilma Ahmad (2024) further indicate that ESG integration supports financial performance. These findings suggest that conventional banks use SR to communicate competence, control, and accountability to investors and regulators.

This compliance-oriented approach is important because banks operate in a highly regulated industry. The introduction of OJK Regulation No. 51/POJK.03/2017 has increased institutional pressure for sustainability disclosure. As a result, conventional banks often use SR to demonstrate conformity with ESG expectations and sustainable finance requirements. However, this orientation also creates a potential limitation. When SR is produced mainly to satisfy formal requirements, stakeholders may perceive it as symbolic rather than substantive.

Sharia banks construct a different sustainability narrative. Their reporting practices are rooted in Islamic ethical principles and Maqashid Syariah. Ghoniyah et al. (2020) show that Sharia-compliant finance contributes to the achievement of the SDGs through social sustainability. Junaidi et al. (2023) demonstrate that Islamic financing contributes to poverty alleviation and regional growth. Sodiq et al. (2024) show that Islamic leadership and Sharia engagement improve performance and stakeholder trust. These findings suggest that Sharia banks use SR to communicate social value, ethical responsibility, and moral legitimacy.

Nevertheless, Sharia banks face practical challenges in translating ethical values into measurable sustainability performance. Saifurrahman and Kassim (2023) identify regulatory and administrative barriers that limit the inclusion of MSMEs in Sharia banking. Mutamimah and Saputri (2023) further show that good corporate governance is needed to manage financing risk and strengthen sustainability-oriented performance. These findings indicate that moral legitimacy must be supported by institutional capacity, governance discipline, and measurable social outcomes.

The comparison suggests that both banking systems need to move beyond symbolic disclosure. Conventional banks need to ensure that ESG reporting reflects substantive governance practices and real sustainability outcomes. Sharia banks need to ensure that Maqashid Syariah values are translated into measurable disclosure indicators and inclusive financial practices. In both contexts, stakeholder trust depends on the consistency between reported commitments and observable institutional behavior.

Theoretical Integration of Stakeholder, Legitimacy, and Maqashid Syariah Perspectives

The findings can be interpreted by integrating stakeholder theory, legitimacy theory, and Maqashid Syariah. Stakeholder theory explains why banks must disclose sustainability information to meet the expectations of investors, regulators, customers, employees, and society. Legitimacy theory explains why banks use SR to align their practices with social norms, regulatory expectations, and market demands. Maqashid Syariah further explains that Sharia banks are also evaluated on justice, welfare, trustworthiness, and moral accountability.

In conventional banks, stakeholder theory and legitimacy theory explain why SR is used to manage investor confidence and institutional reputation. ESG disclosure, governance transparency, and risk management information help banks signal reliability to stakeholders. This signaling process strengthens institutional legitimacy when stakeholders perceive the information as credible and relevant.

In Sharia banks, the combination of stakeholder theory, legitimacy theory, and Maqashid Syariah provides a broader logic of accountability. Stakeholders of Sharia banks do not only expect financial stability and regulatory compliance. They also expect ethical financing, social justice, and alignment with Islamic values. Therefore, SR in Sharia banks serves as both a governance disclosure and a form of moral communication.

In this model, governance mechanisms serve as the foundation of credible sustainability reporting. In conventional banks, these mechanisms include board activity, ownership structure, audit oversight, risk management, and ESG governance. Sharia banks also include Sharia Supervisory Board oversight, Islamic leadership, and Maqashid Syariah-based accountability. Sustainability reporting quality, in turn, influences stakeholder perceptions by shaping how stakeholders evaluate transparency, materiality, ethical consistency, and social impact.

The integrated theoretical interpretation is summarized in the following conceptual model.

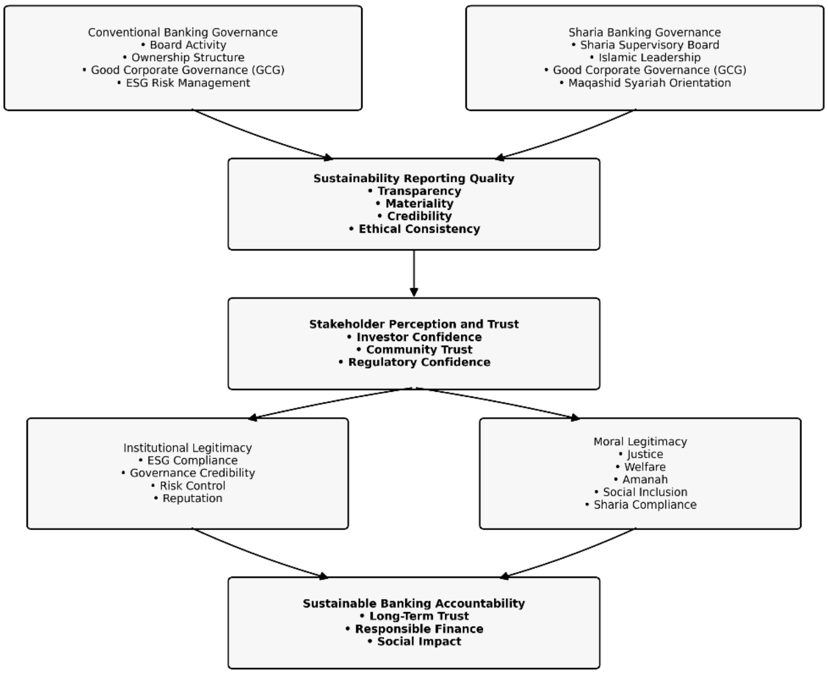

Figure 2. Conceptual Model of Sustainability Reporting, Stakeholder Trust, and Legitimacy

The model also shows that legitimacy is not homogeneous. Conventional banks mainly pursue institutional legitimacy through ESG compliance and governance credibility. Sharia banks pursue moral legitimacy through ethical accountability and alignment with Maqashid Syariah. Both legitimacy paths contribute to sustainable banking accountability, but they operate through different stakeholder expectations and value systems.

Key Synthesis of Findings and Novelty of the Study

The overall synthesis produces four important findings. First, sustainability reporting influences stakeholder perceptions when it provides credible, material, and governance-supported information. Stakeholders are more likely to trust SR when disclosure is connected to board accountability, ownership transparency, risk management, and observable social impact.

Second, conventional banks and Sharia banks use different legitimacy mechanisms. Conventional banks emphasize institutional legitimacy through ESG compliance, risk management, corporate governance, and investor confidence. Sharia banks emphasize moral legitimacy through Maqashid Syariah, social welfare, Islamic leadership, and ethical accountability.

Third, stakeholder trust is shaped by perceived alignment between disclosure content and institutional identity. In conventional banks, stakeholders expect measurable ESG and governance indicators. In Sharia banks, stakeholders expect social value, justice, welfare, and Sharia compliance. This means that the same disclosure strategy may not produce the same stakeholder response across different banking systems.

Fourth, integrating stakeholder theory, legitimacy theory, and Maqashid Syariah offers a multidimensional accountability framework. This framework explains sustainability reporting as a governance instrument, a legitimacy mechanism, and a moral communication medium. Therefore, SR in Indonesia’s dual banking system should be understood not only as compliance reporting, but also as a mechanism for building long-term trust and ethical responsibility.

The novelty of this study lies in its comparative and integrative synthesis of sustainability reporting within Indonesia’s dual banking system. Prior studies generally examine SR through separate lenses, such as ESG compliance, corporate governance, reputation, Islamic finance, or Sharia governance. This study advances the literature by integrating these fragmented streams into a multidimensional accountability perspective.

The state-of-the-art contribution is reflected in three aspects. First, this study positions stakeholder perception as the central outcome of sustainability reporting, rather than treating SR only as a disclosure practice or compliance requirement. Second, it compares conventional and Sharia banks by distinguishing between institutional and moral legitimacy. Third, it integrates stakeholder theory, legitimacy theory, and Maqashid Syariah to explain how governance credibility, reporting quality, stakeholder trust, and ethical accountability interact in sustainable banking.

This contribution is particularly relevant for Indonesia because the banking system operates under both modern ESG-based regulation and Islamic ethical governance. The findings suggest that sustainability reporting will be more credible when it is not limited to formal disclosure, but supported by authentic governance, measurable social impact, and value-based accountability. Thus, SR should be understood as a bridge between institutional governance and moral responsibility in Indonesia's sustainable finance landscape.

Conclusions and Recommendations

This study concludes that sustainability reporting plays an important role in shaping stakeholder perceptions within Indonesia's dual banking system. The synthesis of nine peer-reviewed studies shows that sustainability reporting strengthens stakeholder trust when it is supported by transparency, materiality, governance credibility, and ethical consistency. In conventional banks, sustainability reporting is mainly used to build institutional legitimacy through ESG compliance, corporate governance, risk management, and investor confidence. In Sharia banks, sustainability reporting is more strongly connected to moral legitimacy through Maqashid Syariah, social welfare, Islamic leadership, ethical accountability, and Sharia-based governance.

The findings also show that stakeholder perceptions are not determined solely by the volume of sustainability information disclosed. Instead, stakeholder trust depends on the alignment between disclosure content, governance practices, institutional identity, and actual social impact. Conventional banks are expected to provide measurable ESG and governance-based information, while Sharia banks are expected to demonstrate ethical financing, justice, welfare, and social inclusion. This distinction confirms that sustainability reporting serves not only as a compliance instrument but also as a communication mechanism to build long-term trust and legitimacy.

This study contributes theoretically by integrating stakeholder theory, legitimacy theory, and Maqashid Syariah into a multidimensional accountability framework. This framework explains how sustainability reporting connects governance mechanisms, reporting quality, stakeholder trust, institutional legitimacy, and moral legitimacy. In practice, the findings provide insights for regulators and banking practitioners to strengthen the quality of sustainability reporting. Regulators may use these findings to harmonize ESG-based reporting standards with Islamic governance principles, while banking practitioners may improve reporting credibility by linking sustainability disclosure with measurable governance practices and social outcomes.
This study has several limitations. First, the review is limited to nine empirical studies that specifically met the inclusion criteria, so the findings should be interpreted as a focused thematic synthesis rather than a comprehensive meta-analysis. Second, the geographical scope is limited to Indonesia, which may restrict the generalizability of the findings to other banking systems. Third, this study relies on secondary literature and does not directly capture the perceptions of stakeholders such as investors, customers, regulators, employees, or community groups.

Future research can extend this study in several directions. First, empirical studies using surveys or interviews with banking stakeholders are needed to examine how different stakeholder groups assess the credibility of sustainability reporting. Second, comparative studies across ASEAN countries could provide broader evidence on how ESG regulation and Islamic governance shape sustainability reporting practices. Third, future studies may apply quantitative meta-analysis or structural equation modeling to test the relationship between sustainability reporting quality, stakeholder trust, legitimacy, and financial or social performance. Finally, further research can examine the role of digital assurance, artificial intelligence, and blockchain-based verification in improving the credibility of sustainability reporting in both conventional and Sharia banking.

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