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INTEGRATING ISLAMIC SOCIAL RESPONSIBILITY, FINANCIAL PERFORMANCE, AND SUSTAINABLE DEVELOPMENT IN ISLAMIC BANKING: A SYSTEMATIC REVIEW

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Abstract: *The growing emphasis on sustainable finance has reshaped the strategic role of Islamic banking, positioning Islamic Social Responsibility (ISR) as a key mechanism for integrating ethical governance, financial performance, and sustainable development. Despite the expanding body of research, existing studies remain theoretically, methodologically, and thematically fragmented, limiting a comprehensive understanding of ISR within Islamic banking. This study addresses this gap by conducting a Systematic Literature Review (SLR) to synthesize the intellectual development of ISR research and examine how the literature conceptualizes the relationships among ISR, financial performance, and sustainable development. The review followed the PRISMA 2020 guidelines and systematically analyzed 41 peer-reviewed journal articles published between 2015 and 2025, retrieved primarily from the Scopus database. The findings reveal a significant evolution in ISR research, from a disclosure-oriented perspective emphasizing CSR reporting and Sharia compliance toward a broader strategic perspective that integrates corporate governance, stakeholder accountability, sustainability, ESG, and the Sustainable Development Goals (SDGs). The review further demonstrates that Stakeholder Theory remains the dominant theoretical foundation, although recent studies increasingly combine complementary perspectives, including Agency Theory, Institutional Theory, Sustainability Theory, the Resource-Based View, and Maqasid al-Shariah, to explain the multidimensional nature of responsible Islamic banking. Methodologically, the literature is dominated by quantitative empirical studies using secondary data, while thematic analysis indicates an expanding research focus from CSR disclosure to sustainable value creation. The principal contribution of this review lies in developing an integrated conceptual understanding that positions ISR as the strategic nexus linking Islamic ethical values, corporate governance, financial performance, and sustainable development. By consolidating previously fragmented evidence, this review provides a stronger*

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theoretical foundation for future research and offers practical insights for advancing sustainable and responsible Islamic banking.

Keywords: *Islamic Social Responsibility; Islamic Banking; Financial Performance; Sustainable Development; Corporate Social Responsibility; Corporate Governance; Systematic Literature Review.*

Introduction

The global shift toward sustainable finance has fundamentally redefined the strategic role of Islamic banking, extending its responsibilities beyond financial intermediation to encompass ethical governance, social justice, and sustainable development. As sustainability becomes an increasingly important benchmark for the financial sector, Islamic banks are expected not only to maintain financial resilience and profitability but also to contribute meaningfully to environmental stewardship, social welfare, financial inclusion, and the achievement of the Sustainable Development Goals (SDGs). This expectation is particularly compelling because Islamic banking is founded on Sharia principles that place accountability, fairness, transparency, and the pursuit of *maslahah* (public interest) at the core of organizational conduct. Consequently, institutional success is no longer judged solely by financial outcomes but also by an organization's capacity to create long-term value for stakeholders while remaining faithful to Islamic ethical values.

Within this evolving landscape, Islamic Social Responsibility (ISR) has emerged as a distinctive framework that extends beyond the conventional concept of Corporate Social Responsibility (CSR) by integrating ethical, social, environmental, and religious obligations derived from Sharia principles into corporate accountability. Unlike conventional CSR, which primarily emphasizes voluntary social and environmental initiatives, ISR incorporates accountability to Allah, society, and the environment as interconnected dimensions of organizational responsibility. Consequently, ISR provides a more comprehensive framework through which Islamic banks demonstrate compliance with Sharia principles while promoting transparency, social justice, stakeholder welfare, and sustainable development. Earlier studies largely focused on ISR disclosure and compliance with reporting standards, particularly those developed by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), positioning disclosure quality as an indicator of organizational accountability (Platonova et al., 2018; Nugraheni & Khasanah, 2019).

As the literature has matured, scholarly attention has shifted from assessing disclosure practices toward understanding the strategic role of ISR in organizational performance and sustainable banking. Recent studies increasingly investigate how governance mechanisms, stakeholder engagement, Sharia Supervisory Boards, ownership structures, and institutional environments influence the effective implementation of ISR (Gunardi et al., 2021; Ridwan & Mayapada, 2022; Hanif & Haron, 2022; Mai et al., 2023). At the same time, the scope of ISR research has expanded to encompass Environmental, Social, and Governance (ESG) initiatives, the Sustainable Development Goals (SDGs), financial inclusion, green banking, climate resilience, and Maqasid al-Shariah. This broader research agenda reflects a growing recognition that ISR represents not merely a reporting mechanism but an organizational approach for integrating ethical governance, stakeholder accountability, financial performance, and sustainable value

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creation. Despite this expansion, the literature remains theoretically and methodologically fragmented, highlighting the need for a systematic synthesis of existing evidence.

Research has subsequently expanded to examine the broader organizational implications of ISR. Beyond profitability, recent studies have explored its relationship with operational efficiency, firm value, financial resilience, stakeholder trust, and long-term sustainability. However, empirical findings remain inconsistent, with reported effects varying across governance quality, regulatory environments, and institutional contexts (Harun et al., 2020; Rehman et al., 2020; Shahwan & Habib, 2023; Khémiri & Alsulami, 2023). At the same time, the scope of ISR research has broadened to encompass Environmental, Social, and Governance (ESG), the Sustainable Development Goals (SDGs), green banking, financial inclusion, climate resilience, and *Maqasid al-Shariah* (Jan et al., 2021; Ellili & Nobanee, 2023; Ben Ali & Chouaibi, 2024; Islam et al., 2025; Alkindi & Utami, 2025; Prasojo et al., 2025). Collectively, these developments indicate that ISR has evolved from a disclosure-oriented concept into a strategic approach to responsible banking. Yet this expanding literature remains theoretically and methodologically dispersed, underscoring the need for a systematic synthesis.

Despite the rapid growth of ISR research, the field remains conceptually fragmented, limiting the development of a coherent understanding of responsible Islamic banking. This fragmentation reflects not a shortage of empirical evidence but the diversity of theoretical perspectives employed, including Stakeholder Theory, Agency Theory, Legitimacy Theory, Institutional Theory, the Resource-Based View, Sustainability Theory, and *Maqasid al-Shariah*, each explaining only part of the phenomenon (Gunardi et al., 2021; Hanif & Haron, 2022; Jan et al., 2021). Likewise, empirical findings remain inconclusive. Although many studies report positive associations between ISR and financial performance, others identify insignificant, nonlinear, or context-dependent relationships influenced by governance quality, institutional environments, and regulatory settings (Platonova et al., 2018; Rehman et al., 2020; Senan et al., 2021; Shahwan & Habib, 2023; Khémiri & Alsulami, 2023; Chafai & Alsulami, 2025). Methodological differences in the operationalization of ISR, financial performance, and sustainability constructs further hinder meaningful comparison across studies (Nugraheni & Khasanah, 2019; Abu Al-Haija & Kolsi, 2021; Prasojo et al., 2025). In addition, the evidence remains concentrated in a limited number of countries, particularly Indonesia, Malaysia, Pakistan, Bangladesh, and the Gulf Cooperation Council region, restricting the broader generalizability of current knowledge (Islam et al., 2025; Alkindi & Utami, 2025). Taken together, these reviews have substantially advanced the field; however, they continue to examine governance, disclosure, financial performance, and sustainability as largely independent research streams.

The importance of addressing these gaps has grown alongside the expanding role of Islamic banking in advancing the global sustainable finance agenda. Today, Islamic financial institutions are expected not only to achieve financial resilience and Sharia compliance but also to generate measurable economic, social, environmental, and ethical value. This expectation is reinforced by the increasing prominence of Environmental, Social, and Governance (ESG) principles, the Sustainable Development Goals (SDGs), financial inclusion, climate resilience, and responsible investment, all of which align closely with the normative objectives of Islamic finance. Despite growing empirical evidence, the absence of an integrated understanding continues to constrain theory development, managerial decision-making, and policy

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formulation. Consequently, a rigorous Systematic Literature Review is required to consolidate existing evidence, critically evaluate current knowledge, and establish a stronger conceptual foundation for future research and sustainable Islamic banking practice.

Although previous review studies have advanced understanding of Corporate Social Responsibility (CSR) and Islamic Social Responsibility (ISR) in Islamic banking, important conceptual gaps remain. Zafar and Sulaiman (2019) synthesized CSR theories, disclosure practices, and measurement approaches, whereas Gunardi et al. (2021) focused primarily on the governance determinants of Islamic CSR disclosure. Likewise, Tasnia et al. (2021) examined the relationship between CSR disclosure and financial performance in both Islamic and conventional banking. Collectively, these reviews have provided valuable insights into specific dimensions of responsible banking; however, they have largely treated governance, disclosure, financial performance, and sustainability as separate streams of inquiry. Consequently, they offer only a partial understanding of how ISR functions as a strategic mechanism linking ethical governance, financial performance, and sustainable development.
This review addresses that gap by integrating these fragmented perspectives within a single analytical framework. Specifically, it makes three contributions. First, it synthesizes existing evidence to develop a more coherent conceptual understanding of the relationships among ISR, financial performance, and sustainable development. Second, it maps the intellectual development of the field by examining its theoretical foundations, methodological approaches, thematic evolution, and geographical distribution. Third, it identifies unresolved research gaps and proposes a future research agenda to support cumulative theory development as well as evidence-based managerial and policy decisions. In doing so, this review extends existing knowledge beyond descriptive synthesis toward a more integrated understanding of responsible and sustainable Islamic banking.

Building on these contributions, this study systematically synthesizes and critically evaluates the literature on Islamic Social Responsibility, financial performance, and sustainable development in Islamic banking. Drawing on forty-one peer-reviewed journal articles, it examines the intellectual evolution of the field, synthesizes the relationships among these themes, and identifies the major gaps that continue to shape future research. Accordingly, this review addresses the following questions: RQ1. How has research on Islamic Social Responsibility evolved, and what theoretical, methodological, and thematic trends characterize its development within the Islamic banking literature? RQ2. How does the existing literature conceptualize the relationships among Islamic Social Responsibility, financial performance, and sustainable development? RQ3. What unresolved research gaps, emerging themes, and future research directions can be identified to advance theory and practice in sustainable Islamic banking?

Research Methodology

This study adopted a Systematic Literature Review (SLR) to synthesize the existing evidence on the relationships among Islamic Social Responsibility (ISR), financial performance, and sustainable development in Islamic banking. A systematic review was considered appropriate because the literature has expanded rapidly over the past decade, encompassing diverse theoretical perspectives, methodological approaches, and institutional contexts that have produced an increasingly fragmented body of knowledge. By systematically integrating these

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studies, the review seeks to develop a more coherent understanding of the strategic role of ISR in sustainable Islamic banking.

The review was conducted in accordance with the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA 2020) guidelines (Page et al., 2021), which provide a transparent and reproducible framework for identifying, screening, assessing, and synthesizing relevant evidence. The overall study selection process followed the four sequential stages of the PRISMA framework—identification, screening, eligibility, and inclusion—and is presented in Figure 1. To facilitate transparent documentation throughout the review process, the PRISMA workflow was managed using the Watase Uake System, which supports the systematic recording of study selection decisions and the generation of the PRISMA flow diagram.

The literature search was conducted systematically using the Scopus database, which was selected because of its extensive coverage of peer-reviewed journals, rigorous indexing standards, and broad representation of high-quality publications across the fields of business, finance, sustainability, and Islamic economics. As one of the largest multidisciplinary bibliographic databases, Scopus is widely recommended for systematic literature reviews due to its comprehensive citation coverage and transparent indexing process (Baas et al., 2020).
The search strategy was developed through an iterative process to ensure that all relevant studies concerning Islamic Social Responsibility, financial performance, and sustainable development in Islamic banking were captured. Several combinations of keywords and search strings were initially explored before the final search syntax was established. The final search incorporated the principal concepts investigated in this review, including *Islamic Social Responsibility*, *Corporate Social Responsibility*, *CSR*, *Financial Performance*, *Islamic Bank*, *Islamic Banking*, *Sustainable Development*, and related terminology frequently used within previous empirical studies. To maximize both search sensitivity and relevance, a structured search strategy was developed by combining keywords related to Islamic Social Responsibility, financial performance, sustainable development, and Islamic banking using Boolean operators (AND, OR), phrase searching, and wildcard expressions where appropriate. The search string was refined through several preliminary searches to ensure that the retrieved records adequately captured the breadth of the existing literature while minimizing irrelevant results.

The search was limited to peer-reviewed journal articles published in English between 2015 and 2025. This period was selected to capture the rapid development of ISR research following the growing integration of sustainability, ESG, and SDG-related discussions within Islamic banking. To enhance the quality and consistency of the evidence, conference papers, book chapters, editorials, notes, and other non-peer-reviewed publications were excluded from the search.

The database search was conducted in May 2026 using the predefined search strategy, yielding the initial set of records for screening and eligibility assessment. These records were then subjected to systematic screening, eligibility assessment, and final inclusion based on the predefined selection criteria described in the following sections. The study selection process followed the PRISMA 2020 framework, which comprises four sequential stages: identification, screening, eligibility, and inclusion (Page et al., 2021). To ensure transparency and

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reproducibility throughout the review process, the PRISMA workflow was documented using the Watase Uake System. The complete study selection procedure is illustrated in Figure 1.

During the identification stage, a systematic search of the Scopus database retrieved 198 records using the predefined search strategy. Before screening, duplicate records (n = 61), publications outside the predetermined publication period (n = 21), and records that did not satisfy the predefined journal quality criteria (n = 16) were removed. Following this initial filtering process, 100 records remained for title and abstract screening.

In the screening stage, the titles and abstracts of the remaining records were evaluated against the predefined inclusion and exclusion criteria. Records that were not directly related to Islamic Social Responsibility, financial performance, sustainable development, or Islamic banking were excluded. As a result, 47 studies were removed, leaving 53 articles for full-text retrieval. The eligibility stage involved a comprehensive assessment of the full-text articles to determine their relevance and methodological suitability. Of the 53 reports sought for retrieval, 15 articles could not be accessed in full and were therefore excluded from further assessment. The remaining 38 studies satisfied the eligibility criteria and were retained for qualitative synthesis. To enhance the completeness of the review, an additional three relevant studies were identified through manual searches of reference lists and other complementary sources. In addition to the database search, backward reference searching was conducted to identify potentially relevant studies that were not retrieved through the initial Scopus search. After the final assessment, these studies were incorporated into the review, resulting in a total of 41 peer-reviewed articles included in the qualitative synthesis.

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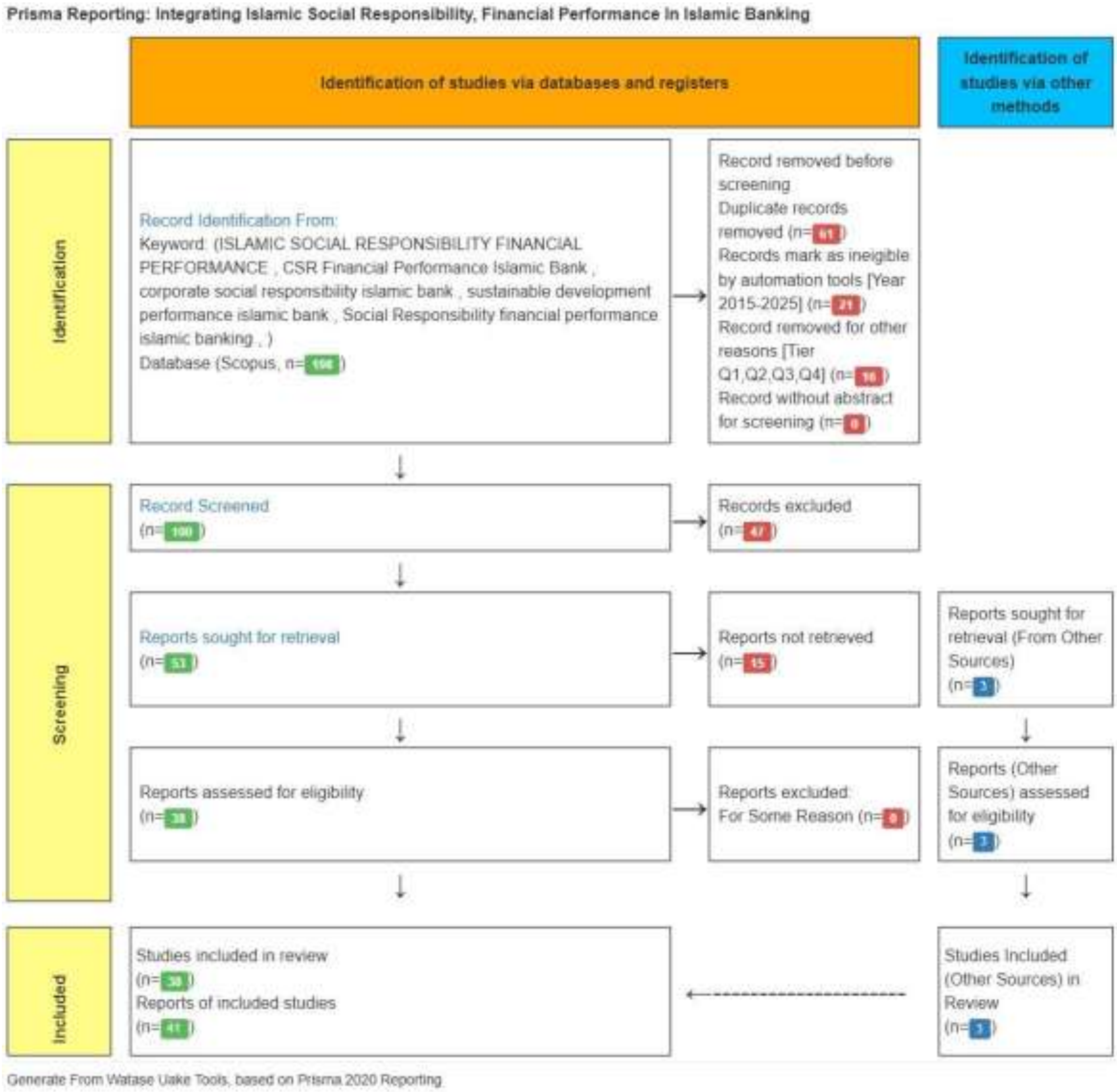

Figure 1: Identification, Screening and Inclusion Steps

The methodological quality of the selected studies was assessed using the Joanna Briggs Institute (JBI) Critical Appraisal Checklist, a widely adopted tool for evaluating the methodological rigor and credibility of evidence included in systematic literature reviews (Aromataris & Munn, 2020). The checklist was applied consistently to all eligible studies after the full-text assessment.

Each study was evaluated against the predefined appraisal criteria covering research design, methodological transparency, data collection, data analysis, and the clarity of reported findings. Based on the overall appraisal results, studies were classified into high-, moderate-, or low-quality categories. Only studies meeting the predefined quality threshold were retained for qualitative synthesis, thereby enhancing the reliability and credibility of the review findings.
A standardized data extraction form was developed to ensure consistency throughout the review process. For each selected study, information was extracted on bibliographic characteristics, geographical context, research objectives, theoretical foundation,

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methodological approach, sample characteristics, key variables, principal findings, and reported implications. The extracted data formed the basis for subsequent descriptive, thematic, and comparative analyses.

The extracted data were synthesized using a qualitative integrative approach combining descriptive analysis, thematic analysis, comparative synthesis, and narrative interpretation. Descriptive analysis was used to examine publication trends, geographical distribution, theoretical perspectives, methodological approaches, and research themes. Subsequently, thematic synthesis was undertaken to identify recurring patterns concerning the relationships among Islamic Social Responsibility, financial performance, and sustainable development. Comparative analysis was then employed to identify areas of convergence, divergence, and emerging research trends across the selected studies. Finally, the findings were critically integrated to develop a comprehensive conceptual understanding of the strategic role of ISR in promoting sustainable Islamic banking and to propose directions for future research.

Results

The systematic search and screening process identified 41 peer-reviewed studies published between 2015 and 2025 that satisfied the predefined inclusion criteria. The selected literature covers a wide range of geographical settings, methodological approaches, theoretical perspectives, and research themes, collectively providing a comprehensive overview of the evolving body of knowledge on Islamic Social Responsibility (ISR) in Islamic banking. The following sections present the temporal distribution of publications, geographical coverage, dominant theoretical perspectives, methodological characteristics, and major research themes identified across the reviewed studies.

Temporal Distribution of Publications

The temporal distribution of the reviewed studies demonstrates a clear increase in scholarly attention to Islamic Social Responsibility (ISR) within the Islamic banking literature over the past decade. As shown in Figure 2**,** the selected publications span the period from 2015 to 2025, during which research activity evolved from sporadic contributions to a more sustained and rapidly expanding body of scholarship. While only a limited number of studies were published between 2015 and 2020, publication output increased noticeably after 2020, indicating a growing academic interest in the strategic role of ISR within contemporary Islamic banking.
Research productivity reached its highest level in 2025**,** with nine publications, followed by 2023 with eight studies and 2021 with seven studies. Although the annual number of publications fluctuated slightly during the intervening years, the overall trajectory remained upward, suggesting that ISR has become an increasingly established area of inquiry rather than an emerging niche topic. The sustained growth observed in recent years also reflects the widening scope of the literature, which increasingly connects Islamic Social Responsibility with issues such as financial performance, corporate governance, sustainability, ESG practices, and responsible banking. These developments collectively indicate that ISR is now positioned as a multidimensional research domain that extends beyond conventional CSR disclosure toward broader discussions of sustainable value creation within Islamic banking.

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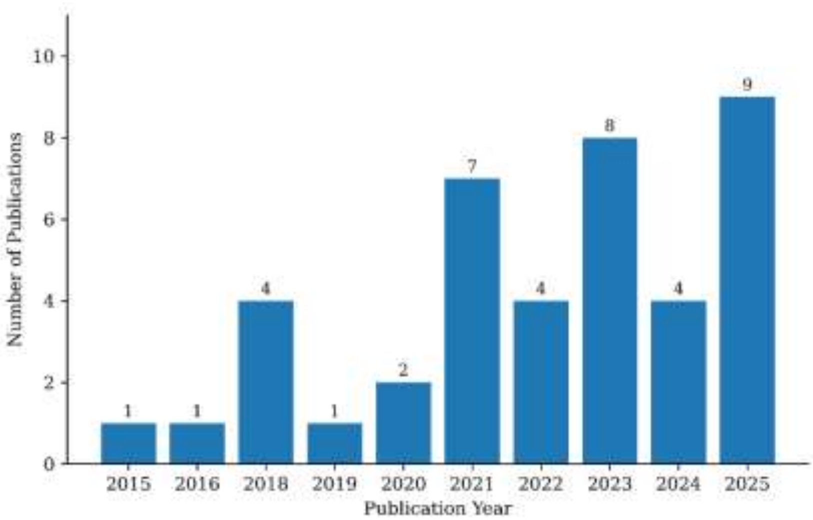

Figure 2. Annual Publication Trend of the Included Studies (2015–2025)

Geographical Distribution of the Reviewed Studies

The reviewed literature encompasses a broad range of geographical contexts, including single-country investigations, regional studies, and global or cross-country analyses. As presented in Figure 3, global and cross-country studies constitute the largest geographical category, accounting for nine publications. These studies primarily examine ISR, sustainability, ESG implementation, and responsible banking practices across multiple institutional settings, providing broader comparative perspectives on the development of Islamic banking.

Among individual countries, Indonesia represents the most frequently investigated national context, with five studies focusing on Islamic commercial banks and Islamic banking units. Malaysia, Pakistan, and Bangladesh each contributed three studies, while additional evidence originated from the Gulf Cooperation Council (GCC) countries, the Middle East and North Africa (MENA) region, the United Arab Emirates, Jordan, Egypt, Yemen, Saudi Arabia, ASEAN countries, and Organization of Islamic Cooperation (OIC) member states.

Overall, the geographical distribution demonstrates that research on ISR has expanded across diverse institutional and regulatory environments, encompassing both mature and emerging Islamic banking markets. This broad geographical coverage enhances the contextual diversity of the reviewed evidence and reflects the increasing international interest in the role of Islamic Social Responsibility within contemporary Islamic banking. Figure 3 illustrates the distribution of the reviewed studies across countries and regions.

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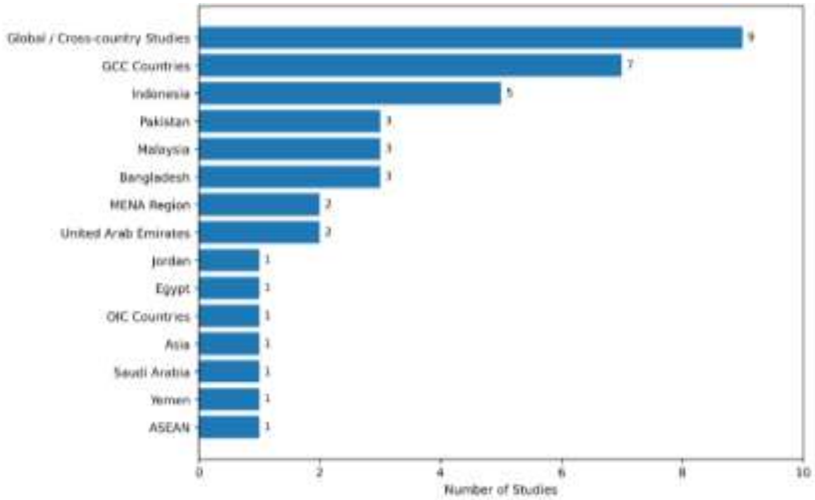

Figure 3. Distribution of Studies by Country or Region

Dominant Theoretical Perspectives

The theoretical landscape of the reviewed literature is characterized by a strong reliance on stakeholder-oriented perspectives, with a smaller number of studies drawing upon complementary theories to explain specific organizational, institutional, and ethical dimensions of Islamic Social Responsibility (ISR). As shown in Table 1, Stakeholder Theory constitutes the dominant theoretical foundation, appearing in 38 of the 41 reviewed studies. Across the literature, this perspective is consistently employed to explain how Islamic banks balance the expectations of diverse stakeholder groups through socially responsible practices, sustainability initiatives, and governance mechanisms.

Legitimacy Theory represents the second most frequently adopted perspective, with 11 studies using this framework to examine CSR disclosure, sustainability reporting, organizational transparency, and the preservation of institutional legitimacy. Although considerably less prevalent than Stakeholder Theory, its continued application indicates that legitimacy remains an important explanatory lens for understanding voluntary disclosure and accountability within Islamic banking.

Several additional theoretical perspectives appear less frequently but broaden the conceptual scope of the literature. Agency Theory also appears extensively, particularly in studies examining corporate governance mechanisms, board characteristics, ownership structure, audit quality, and Sharia Supervisory Boards. Maqasid al-Shariah Theory and Sustainability Theory, each identified in five studies, provide normative and developmental perspectives that connect Islamic banking with broader societal objectives and sustainable value creation. Meanwhile, Institutional Theory, the Resource-Based View (RBV), and Financial Intermediation Theory are employed selectively to explain the influence of regulatory environments, organizational capabilities, banking functions, and financial inclusion. Islamic Business Ethics, although represented in only a small number of studies, reinforces the ethical principles underpinning socially responsible practices within Islamic financial institutions.

Taken together, these theoretical perspectives reveal that contemporary ISR research is no longer grounded in a single explanatory framework. While Stakeholder Theory continues to provide the principal conceptual foundation, recent studies increasingly incorporate

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complementary perspectives that capture the ethical, institutional, strategic, and sustainability dimensions of Islamic banking. This pattern reflects the growing conceptual diversity of the field and illustrates the evolution of ISR research toward a more multidimensional understanding of responsible banking.

Table 1: Theoretical Perspectives

Theory	Main Focus in the Reviewed Studies	Representative Research Topics	Frequency (n)
Stakeholder Theory	Explains how Islamic banks respond to stakeholder expectations through Islamic Social Responsibility and sustainability initiatives	CSR disclosure, stakeholder pressure, financial performance, ESG, sustainability	38
Legitimacy Theory	Explains CSR disclosure as a mechanism for maintaining organizational legitimacy and public trust	CSR disclosure quality, sustainability reporting, transparency	11
Agency Theory	Examines governance mechanisms in reducing agency conflicts and strengthening accountability	Corporate governance, Board of Directors, Audit Committee, Sharia Supervisory Board	9
Maqasid al-Shariah Theory	Provides the Islamic ethical foundation of responsible banking and sustainable development	Islamic Social Responsibility, SDGs, Islamic sustainability indicators	5
Sustainability Theory	Connects Islamic banking with sustainable development and long-term value creation	SDGs, Green Banking, ESG, Sustainable Finance	5
Institutional Theory	Highlights the influence of regulatory environments, institutional quality, and governance systems	ESG implementation, governance quality, cross-country comparison	3
Resource-Based View (RBV)	Views Islamic Social Responsibility as a strategic organizational capability that enhances competitive advantage	CSR and bank efficiency, innovation, long-term performance	3
Financial Intermediation Theory	Explains the relationship between financial inclusion, banking functions, and stability	Financial inclusion and bank stability	3
Islamic Business Ethics	Emphasizes ethical obligations derived from Islamic principles	CSR concepts, Islamic ethical responsibility	2

Note: *Because several studies adopted multiple theoretical perspectives simultaneously, the cumulative frequency exceeds the total number of studies*

Methodological Characteristics of the Reviewed Studies

Table 2 summarizes the methodological characteristics of the studies included in this review. Overall, the literature is dominated by quantitative empirical research, accounting for nearly three-quarters of the reviewed studies. Most investigations relied on secondary data obtained from annual reports, sustainability reports, financial statements, and CSR disclosures of Islamic banks. Only a limited number of studies employed qualitative approaches, while systematic literature reviews and conceptual papers represented a relatively small but important proportion of the evidence base. Among the quantitative studies, panel data regression emerged as the most frequently applied analytical technique, followed by dynamic panel estimation using the

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Generalized Method of Moments (System GMM), Generalized Least Squares (GLS), and Ordinary Least Squares (OLS). Several studies also employed PLS-SEM, Data Envelopment Analysis (DEA), Tobit regression, and mediation analysis to examine specific relationships among CSR disclosure, governance, financial performance, and sustainability outcomes. In contrast, qualitative studies predominantly utilized content analysis, documentary analysis, case studies, and stakeholder surveys to evaluate CSR practices, disclosure quality, and stakeholder perceptions.

Collectively, these methodological patterns indicate that empirical research on Islamic Social Responsibility remains largely grounded in quantitative longitudinal analysis, while qualitative and conceptual studies provide complementary insights into governance mechanisms, sustainability reporting, and broader institutional contexts.

Table 2. Methodological Characteristics of the Reviewed Studies

Characteristic	Category	Frequency (n)	Percentage (%)
Research approach	Quantitative	30	73.2
	Qualitative	4	9.7
	Conceptual/ Framework/ Literature review	7	17.1
Primary data source	Secondary data	33	80.5
	Primary data	5	12.2
	Mixed / Documentary	3	7.3

Major Research Themes Identified in the Literature

To map the intellectual structure of the reviewed literature, the selected studies were synthesized into a series of overarching research themes based on their principal research focus. Because many studies addressed more than one substantive issue, thematic coding allowed individual articles to contribute to multiple categories, thereby capturing the interconnected nature of Islamic Social Responsibility (ISR) research within the Islamic banking literature.
The thematic synthesis reveals that Islamic Social Responsibility and CSR disclosure constitute the most prominent research stream, with 27 studies examining various aspects of CSR reporting, disclosure practices, implementation, and compliance with Islamic and international reporting standards. This predominance indicates that CSR disclosure has remained the principal entry point for understanding socially responsible practices within Islamic banking throughout the review period.

The second major research stream centers on financial performance, where the reviewed studies primarily investigate profitability, operational efficiency, financial stability, and firm value in relation to ISR practices. Corporate governance also emerges as a recurring theme, particularly in studies examining governance quality, board characteristics, Sharia supervisory boards, ownership structures, and audit mechanisms as institutional drivers of socially responsible banking.

Beyond these dominant themes, the literature demonstrates a growing emphasis on sustainability-oriented research. Recent studies increasingly incorporate Sustainable

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Development Goals (SDGs), sustainable finance, Environmental, Social and Governance (ESG) practices, and green banking into the conceptualization of ISR. At the same time, several studies extend the discussion to financial inclusion, stakeholder outcomes, community welfare, and Islamic ethical principles, particularly through the application of Maqasid al-Shariah. Collectively, these developments illustrate the gradual expansion of ISR research from a primary concern with CSR disclosure toward a broader and more integrated understanding of responsible banking, sustainability, and long-term value creation.

The thematic coding framework presented in Table 3 summarizes the principal research themes and sub-themes identified across the reviewed studies.

Table 3. Major Research Themes Identified in the Literature

Major Theme	Sub-theme	Number of Studies (n)
Islamic Social Responsibility	CSR Disclosure / ISR Disclosure	**27**
	CSR Practices / CSR Implementation	**8**
	CSR Reporting Quality / AAOIFI / GRI Compliance	**6**
Financial Performance	Profitability (ROA, ROE, NPM, EPS)	**18**
	Bank Efficiency	**4**
	Financial Stability	**4**
	Firm Value / Dividend Policy	**3**
Sustainability	Sustainable Development Goals (SDGs)	**5**
	Sustainable Finance / Sustainable Banking	**5**
	Green Banking	**2**
Environmental, Social and Governance (ESG)	ESG Performance / ESG Activities	**4**
	ESG Disclosure	**2**
Financial Inclusion & Social Impact	Financial Inclusion	**2**
	CSR Effectiveness	**4**
	Community & Social Welfare	**3**
Islamic Ethical Foundation	Maqasid al-Shariah	**5**
	Islamic Business Ethics	**2**

Note. The cumulative frequency of the thematic categories exceeds the total number of reviewed studies (n = 41) because the thematic coding was non-mutually exclusive. Individual studies were assigned to multiple themes whenever they addressed more than one substantive research area, consistent with established practices in thematic synthesis for systematic literature reviews.

Discussion

The Evolution of Islamic Social Responsibility

The most important finding emerging from this review is not simply the growing volume of ISR research but the transformation of its intellectual focus. Earlier studies primarily approached ISR as a disclosure-oriented construct intended to demonstrate ethical accountability and compliance with Islamic reporting standards (Platonova et al., 2018; Nugraheni & Khasanah, 2019). More recent scholarship, however, increasingly conceptualizes ISR as a strategic capability through which Islamic banks integrate governance, stakeholder

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accountability, financial performance, and sustainable development (Gunardi et al., 2021; Hanif & Haron, 2022; Jan et al., 2021; Mai et al., 2023). This shift suggests that ISR is no longer interpreted as an outcome of reporting practices but as an organisational mechanism that shapes how Islamic banks create sustainable value.

This evolution is equally reflected in the theoretical and methodological development of the field. Although Stakeholder Theory remains the dominant explanatory perspective, recent studies increasingly combine it with Agency Theory, Institutional Theory, Sustainability Theory, the Resource-Based View, and Maqasid al-Shariah to explain the complex relationships among governance, ethics, and organisational performance (Gunardi et al., 2021; Tasnia et al., 2021; Shahwan & Habib, 2023; Islam et al., 2025). At the same time, methodological diversification—from conventional panel regression to SEM, PLS-SEM, GMM, DEA, and systematic reviews—indicates that researchers are seeking more comprehensive approaches to capture the multidimensional nature of ISR. Together, these developments reflect the growing maturity of the field and its transition toward a more integrated understanding of responsible Islamic banking.

Perhaps the most significant implication of this evolution is the convergence of previously fragmented research streams. Rather than examining CSR disclosure, governance, financial performance, or sustainability as independent topics, recent studies increasingly position these dimensions within a unified framework of responsible banking. This integrated perspective represents the principal contribution of the present review. Unlike previous SLRs, which synthesized individual aspects of ISR separately, this review demonstrates that Islamic Social Responsibility functions as the conceptual nexus linking Islamic ethical values, governance quality, financial performance, and sustainable development. By bringing these strands together, the review offers a more coherent explanation of sustainable value creation in Islamic banking and establishes the conceptual foundation for interpreting the relationships discussed in the following section.

Reframing the Relationship Between Islamic Social Responsibility, Financial Performance, and Sustainable Development

A central insight emerging from this review is that the relationship between Islamic Social Responsibility (ISR), financial performance, and sustainable development cannot be adequately understood as a series of independent associations. Earlier studies frequently examined these constructs in isolation, focusing either on the financial consequences of CSR disclosure or on governance and sustainability as separate lines of inquiry. The accumulated evidence, however, points to a more integrated interpretation in which ISR serves as the mechanism linking Islamic ethical values with organisational performance and long-term sustainability. This perspective addresses one of the principal gaps identified in the Introduction and moves beyond the fragmented understanding that has characterized much of the earlier literature (Platonova et al., 2018; Gunardi et al., 2021; Jan et al., 2021).

The reviewed studies consistently suggest that ISR contributes to financial performance not simply because socially responsible activities enhance corporate reputation, but because they strengthen the organisational capabilities required to sustain stakeholder trust and governance quality over time. Positive associations between ISR and profitability, operational efficiency, and firm value reported by Platonova et al. (2018), Harun et al. (2020), Shahwan and Habib

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(2023), and Prayoga and Siswantoro (2025) illustrate that ethical responsibility and economic performance are increasingly viewed as complementary rather than competing objectives. At the same time, studies reporting insignificant or nonlinear relationships (e.g., Rehman et al., 2020; Khémiri et al., 2024; Chafai & Alsulami, 2025) indicate that ISR does not automatically improve financial outcomes. Its effectiveness depends on the quality of governance, institutional support, and the extent to which socially responsible practices are embedded in organisational strategy rather than treated as symbolic disclosure. This explains why earlier empirical findings often appeared inconsistent despite examining similar relationships.

An equally important shift concerns the growing integration of sustainability into the ISR literature. While earlier research primarily evaluated disclosure practices, more recent studies increasingly position ISR within broader discussions of ESG implementation, Sustainable Development Goals (SDGs), financial inclusion, and sustainable finance (Jan et al., 2021; Ellili & Nobanee, 2023; Ben Ali & Chouaibi, 2024; Alkindi & Utami, 2025). This progression suggests that sustainability should not be viewed as an additional outcome of ISR but as the broader context within which responsible banking creates long-term value. From this perspective, financial performance becomes one dimension of sustainable organisational success rather than its sole indicator, reflecting a growing convergence between Islamic ethical principles and contemporary sustainability agendas.

Taken together, these findings support a broader conceptual interpretation of ISR. Rather than functioning solely as a disclosure framework or a determinant of financial performance, ISR emerges as the integrative nexus connecting governance quality, stakeholder accountability, organisational resilience, and sustainable development. This represents the principal contribution of the present review. Unlike previous SLRs that synthesised CSR disclosure, governance, or financial performance separately, this review demonstrates that these dimensions operate as mutually reinforcing components of a single responsible banking framework. By consolidating previously fragmented evidence, the review offers a more coherent explanation of sustainable value creation in Islamic banking and provides the conceptual basis for the theoretical contributions discussed in the following section.

Theoretical Contributions

The principal theoretical contribution of this review lies in its ability to reconcile several research streams that have largely evolved in parallel within the Islamic banking literature. Previous studies have typically explained Islamic Social Responsibility (ISR) through a single theoretical perspective, with Stakeholder Theory serving as the dominant framework for understanding accountability and socially responsible behaviour. The present synthesis suggests that such an approach is no longer sufficient to explain the increasing complexity of responsible Islamic banking. Instead, the reviewed evidence demonstrates that ISR is more appropriately understood through the complementary contributions of Stakeholder Theory, Agency Theory, Legitimacy Theory, Institutional Theory, the Resource-Based View, Sustainability Theory, and *Maqasid al-Shariah* (Gunardi et al., 2021; Tasnia et al., 2021; Hanif & Haron, 2022; Shahwan & Habib, 2023). Viewed collectively, these theories explain different yet interconnected dimensions of responsible banking, ranging from ethical accountability and governance quality to organisational capability and long-term sustainability.

A second contribution concerns the conceptual repositioning of ISR itself. Much of the earlier literature implicitly regarded ISR as an extension of CSR disclosure, primarily evaluating the

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extent to which Islamic banks communicated their social responsibilities through annual reporting (Platonova et al., 2018; Nugraheni & Khasanah, 2019). The evidence synthesised in this review indicates that this interpretation has become increasingly restrictive. Rather than representing a reporting outcome, ISR emerges as a strategic organisational capability through which Islamic banks translate Islamic ethical principles into governance practices, stakeholder relationships, and sustainable value creation. This reconceptualisation broadens the theoretical scope of ISR and aligns it more closely with contemporary debates on responsible and sustainable finance.

Perhaps the most significant theoretical insight emerging from this review is the recognition that governance, financial performance, and sustainability should not be interpreted as independent organisational objectives. Instead, the literature increasingly portrays them as mutually reinforcing outcomes connected through ISR. This integrated perspective distinguishes the present review from earlier SLRs, which predominantly synthesised individual dimensions of CSR, governance, or financial performance in isolation. By consolidating fragmented theoretical and empirical evidence into a coherent conceptual explanation, this review advances a more comprehensive understanding of how Islamic banking simultaneously pursues commercial performance, ethical responsibility, and sustainable development. In this respect, the review contributes not only to theory consolidation but also to future theory development by providing a conceptual foundation for subsequent empirical research.

Practical Implications

The findings of this review carry several practical implications for Islamic banks, regulators, and policymakers. First, they suggest that ISR should no longer be viewed as a compliance-driven reporting obligation but as a strategic component of organisational management. Embedding ISR within governance structures, strategic planning, and performance evaluation enables Islamic banks to strengthen stakeholder confidence while enhancing long-term organisational resilience (Platonova et al., 2018; Gunardi et al., 2021; Hanif & Haron, 2022). Second, the review underscores the importance of governance quality in determining whether socially responsible initiatives translate into meaningful organisational outcomes. The consistent emphasis on board effectiveness, Sharia Supervisory Boards, ownership structures, and institutional governance indicates that effective governance provides the organisational conditions necessary for ISR to generate both financial and social value (Ridwan & Mayapada, 2022; Ben Ali & Chouaibi, 2024). Consequently, regulators and standard-setting bodies should encourage governance frameworks that integrate Islamic ethical principles with broader sustainability objectives rather than treating them as separate regulatory concerns.

Finally, the convergence between ISR, ESG, and the Sustainable Development Goals (SDGs) suggests that Islamic banking possesses significant potential to contribute to national and global sustainable development agendas. Investors and policymakers should therefore adopt broader performance evaluation frameworks that incorporate ethical responsibility, stakeholder value, and sustainability alongside conventional financial indicators. Such an approach better reflects the distinctive value proposition of Islamic banking while supporting its long-term competitiveness within an increasingly sustainability-oriented financial system (Jan et al., 2021; Ellili & Nobanee, 2023; Alkindi & Utami, 2025).

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Conclusion And Future Research Directions

This systematic literature review provides a comprehensive synthesis of forty-one peer-reviewed studies published between 2015 and 2025 to advance understanding of the evolving role of Islamic Social Responsibility (ISR) in Islamic banking. Rather than merely consolidating previous findings, the review demonstrates that ISR has undergone a significant conceptual transformation—from a disclosure-oriented practice centred on reporting compliance to a strategic organisational capability that integrates Islamic ethical principles, corporate governance, financial performance, and sustainable development. The synthesis further reveals that the literature has progressively expanded beyond traditional CSR reporting to encompass broader issues such as ESG, sustainable finance, financial inclusion, green banking, and the Sustainable Development Goals (SDGs). At the same time, the review highlights a parallel evolution in theoretical and methodological approaches, with increasing integration of Stakeholder Theory, Agency Theory, Institutional Theory, the Resource-Based View, Sustainability Theory, and *Maqasid al-Shariah* to explain the multidimensional nature of responsible Islamic banking. The principal contribution of this study therefore lies not in identifying a new variable, but in providing an integrated conceptual understanding that reconciles previously fragmented evidence into a coherent explanatory framework. By positioning ISR as the conceptual nexus connecting ethical governance, organisational performance, and sustainable value creation, this review offers a stronger theoretical foundation for future research while providing practical insights for managers, regulators, and policymakers seeking to strengthen the sustainability agenda of Islamic banking. This integrative perspective represents a meaningful contribution to the growing body of knowledge on responsible Islamic finance and extends the current literature beyond the scope of previous systematic reviews.

The synthesis also highlights several priorities for future research that emerge directly from the identified knowledge gaps. Future studies should move beyond examining direct associations between CSR disclosure and financial performance by investigating the organisational mechanisms through which ISR creates long-term value under different governance structures, institutional environments, and regulatory contexts. In particular, greater attention should be devoted to operationalizing Maqasid al-Shariah as a measurable construct rather than treating it solely as a normative or theoretical concept. Future research could develop multidimensional Maqasid-based performance indices by incorporating indicators such as wealth preservation (*hifz al-mal*), social justice (*adl*), financial inclusion, equitable wealth distribution, zakat effectiveness, ethical investment, and community welfare, and examine their interaction with internationally recognized ESG benchmarks. Such integrated measurement frameworks would enable researchers to assess the extent to which Islamic banks simultaneously achieve Sharia objectives and sustainability performance. Furthermore, future empirical studies are encouraged to validate these integrated Maqasid–ESG frameworks using longitudinal panel data, cross-country comparisons, structural equation modelling (SEM), or multilevel analytical approaches to capture institutional and regulatory differences across Islamic banking systems. Comparative investigations between Islamic and conventional banks could also provide valuable insights into whether the integration of Maqasid al-Shariah with ESG generates distinctive sustainability outcomes. Finally, emerging issues such as Islamic fintech, climate-related finance, digital transformation, green sukuk, and Islamic social finance should be incorporated into these integrated frameworks to strengthen the practical relevance of ISR in advancing sustainable Islamic banking.

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Such efforts would facilitate the development and empirical validation of integrated frameworks capable of explaining how Islamic ethical values translate into sustainable organisational outcomes across diverse institutional settings. Although this review was limited to English-language, peer-reviewed studies published during the selected review period, it provides a robust conceptual platform for future scholarship. Ultimately, advancing ISR research will require not only richer empirical evidence but also stronger theoretical integration capable of positioning Islamic banking as a distinctive model of ethical, resilient, and sustainable finance in an increasingly complex global financial landscape.

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