

## THE INFLUENCE OF FINANCING, SOCIAL FINANCE, AND GCG ON ISLAMIC BANK FINANCIAL STABILITY IN INDONESIA

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### ABSTRACT

*The current development of banking has become a benchmark in determining Indonesia's economic growth. The benchmark for determining the development of banking can be seen from several conditions of the bank's financial performance. In maintaining its business activities, Islamic banks are required to uphold the stability of their institutions. This study examines and analyzes the influence of financing, corporate social responsibility (CSR), and audit committees on the financial stability of Islamic commercial banks in Indonesia. The method used in this study is quantitative-descriptive. The sample in this study used purposive sampling with samples from 2015-2022 in Indonesia. Thus, a sample of 56 data points was obtained. Based on the findings of this study, financing has a positive effect on the financial stability of Islamic commercial banks. This is because sound financing practices serve as a key mechanism for Islamic banks to generate profits and maintain financial stability. Corporate Social Responsibility (CSR) also has a positive impact on financial stability, as the implementation of CSR initiatives enhances the bank's public image and builds customer trust, thereby encouraging customers to choose Islamic banks. Furthermore, the audit committee significantly influences financial stability due to its crucial role in ensuring that the bank's operations comply with prevailing regulations and governance standards.*

**Keywords:** *Financing, Social Finance, Good Corporate Governance, Financial Stability.*

### INTRODUCTION

The development of banking at this time serves as a benchmark in determining Indonesia's economic growth (Hamda & Sudarmawan, 2023). The benchmark for determining the development of banking can be seen from several conditions of the bank's financial performance. In maintaining its business performance, Islamic banks are required to uphold the stability of their institutions (Hamda & Sudarmawan, 2023). This is because the role of positive financial stability has a positive impact on economic growth (Nugroho & Bararah, 2018). However, during the Covid-19 pandemic, Islamic banks were affected to the point where their financial stability was threatened (Fatoni, 2022).

Financial stability is a phenomenon where financial flows related to macro and microeconomic activities have interconnected impacts (Cahyaningrum & Muharam, 2023). According to Schinasi (2004), the condition of financial stability is a broad concept and encompasses several aspects of finance (and the financial system). As the first aspect, it includes financial aspects such as infrastructure, institutions, and markets. Secondly, financial stability plays an adequate role in distributing resources and risks, mobilizing savings, facilitating wealth accumulation, development, and growth, and ensuring that the payment system across the economy runs smoothly. Third, financial stability is not only about the absence of financial crises but also the ability to limit, contain, and address the emergence of imbalances before they pose a threat to itself or the economic process. Fourth, financial stability must be reduced in terms of potential consequences for the real economy. Fifth, consistent with discussions and financial dynamics that occur sustainably.

One of the efforts made to maintain financial stability in financial institutions such

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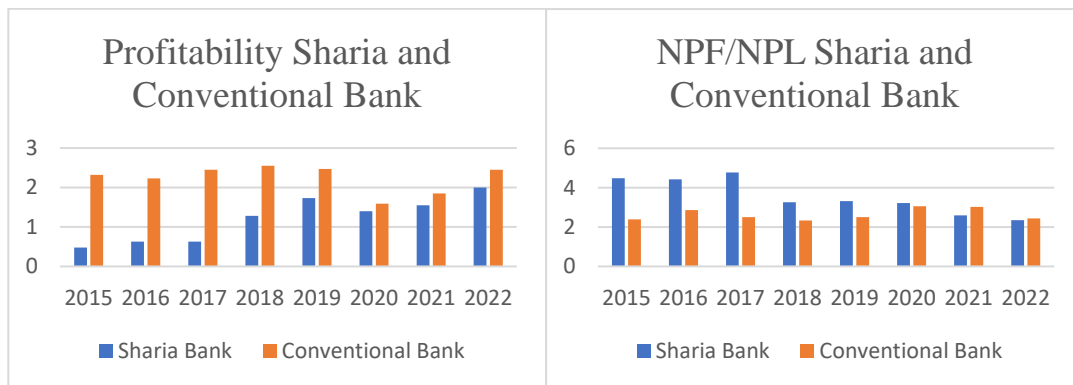
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as banking is by measuring the bank's ability to generate profits or earnings from its assets. By having the ability to achieve maximum profitability, banks have a greater opportunity to maintain resilience against crisis shocks. In addition, when providing financing at a bank, it is also necessary to pay attention to the risk of default or NPF/NPL. The higher the NPF/NPL, the more it indicates that the bank has a high risk of default caused by customers who are unable to repay the capital they obtained from the bank.



Source: Financial Services Authority (OJK)

**Figure 1. Comparison of ROA and NPF between Conventional Banks and Islamic Banks**

Based on the report issued by the Financial Services Authority (OJK), it is known that conventional commercial banks have higher profitability compared to Islamic commercial banks. This means that conventional banks have an advantage in generating profits from the financing they provide. Whereas Islamic banks tend to have lower profitability from their assets. Thus, in this case, conventional banks are more likely to withstand crisis shocks compared to Islamic commercial banks. Meanwhile, the NPF/NPL of Islamic commercial banks is higher compared to conventional commercial banks. This means that customers at Islamic banks have a higher rate of failure in repaying capital to the banking system compared to conventional commercial banks. Meanwhile, according to the trade-off theory, large banks have higher stability due to the financing capabilities obtained from tax reduction benefits, while small banks have greater risks and therefore choose to finance safer sectors (Maulana, A. A. Sari, 2024). Thus, it can be said that Islamic banks in Indonesia face issues related to their financial stability (Setianti & Haryono, 2023).

Altman Z-score, commonly known as Z-score, is a method used to measure financial stability in Islamic commercial banks (Čihák & Hesse, 2010). Z-score treats banks with high risk for high returns and low risk for low returns the same way, as long as the strategy leads to the same profit (Čihák & Hesse, 2010).

To address this, the trade-off theory states that companies must choose an optimal financing structure. With optimal financing, Islamic commercial banks are more resilient to crises. This happens because the financing of Islamic commercial banks aligns with the expected return on investment and does not create problems of non-performing financing that could cause Islamic commercial banks to lose capital.

In signaling theory, indicating good financing and having returns that align with expectations, as well as a financing structure, can serve as a signal to investors about the company's future prospects.

According to Sari et al. (2023), Islamic banks profit from the financing they provide. The financing that Islamic banks in Indonesia engage in includes *mudharaba*,

musyaraka, and murabaha (Hanafi, 2008). The following is data on the development of financing based on the types of contracts mudaraba, musyaraka, and murabaha.

**Table 1. Development of Financing Based on Type of Contract**

Akad	Period (nominal in billions)						
	2015	2016	2017	2018	2019	2020	2021
Mudarabah	14,869	15,292	17,090	15,970	13,779	11,854	10,888
Musyaraka	54.620	78,421	101,561	112,349	157,491	174,919	175,776
Murabaha	118.397	139,536	150,276	152,022	160,654	174,301	181,002
<b>Total</b>	<b>187,886</b>	<b>233,249</b>	<b>268,927</b>	<b>280,341</b>	<b>331,924</b>	<b>535,993</b>	<b>367,666</b>

Source: Financial Services Authority

In Table 1., it is noted that the largest or most significant mudaraba financing was in 2017, amounting to more than 17 billion rupiah, while the lowest was in 2021, amounting to 10 billion rupiah. For the largest musyaraka financing in 2021 with a value of 175 billion rupiah and the lowest in 2016 with 78 billion rupiah. In the murabaha contract, the largest financing in 2021 was 181 billion rupiah and the lowest in 2016 was 139 billion rupiah.

The financial stability of Islamic banks is also influenced by social finance. According to Ozili (2021), social finance is designed to help the economy and create a situation where everyone's welfare will improve. This social finance can help reduce the unemployment rate, decrease income inequality in the long term, and support the economy. With the improving economy, people's purchasing power increases and companies can benefit from the products sold in society, both services and goods (Ozili, 2021).

CSR can be used as an indicator to assess the social finance of a company, including Islamic banks (Nurindahyanti et al., 2019). In legitimacy theory, it is stated that to enhance the company's performance image and reputation in society, CSR disclosure is required (Auliyah & Basuki, 2021). Companies that engage in CSR activities can be viewed by the public and stakeholders as good companies (Nurindahyanti et al., 2019). Thus, the community and stakeholders are more inclined to use the services or products of the company, resulting in greater profits and better performance for the company (Nurindahyanti et al., 2019).

GCG or good corporate governance is a set of laws, intermediaries, and rules that must be fulfilled to encourage the company's performance resources to be more efficient and generate sustainable long-term economic benefits for both shareholders and society (Wardoyo et al., 2021). According to Qoyum (2017), the concept of GCG is to build widespread public trust to ensure the company grows well.

According to Tampubolon et al. (2023), the audit committee plays a role in minimizing the occurrence of earnings management fraud and focuses on producing good financial statements so that the quality of the resulting earnings is maximized. In Othman's (2023) research, Islamic banks that offer equity financing structures are more stable compared to Islamic banks without equity financing. Islamic banks with medium equity financing have the highest stability compared to Islamic banks with high or low equity financing. During a crisis, Islamic banks with a relatively stable equity financing structure compared to other Islamic banks. According to Hamda & Sudarmawan (2023), the long-term financial stability of Islamic banks is influenced by the variables CAR, BOPO, and FDR. Meanwhile, the NOM and NPF variables have a negative impact on the financial stability of Islamic banks in the long term. Meanwhile, in the short term, the NOM and FDR variables affect the financial stability of Islamic banks, while the CAR, BOPO, and NPF

variables do not affect the financial stability of Islamic banks.

According to Auliyah & Basuki (2021), the disclosure of zakat has a significant negative impact on the ROA of Islamic banks in Indonesia. Whereas CSR does not have a negative impact on the ROA of Islamic banks. According to Eliana et al. (2020), it can be concluded from the research that corporate zakat has a significant and positive effect on the profitability of BUS, the size of the company does not have a significant effect on the profitability of BUS, and ISR does not have a significant effect on the profitability of BUS in Indonesia.

According to Fakhrudin & Fatoni (2023), CAR, BOPO, and the board of directors have an influence on the stability of BPRS. The NPF variable, board of commissioners, and DPS do not affect the financial stability of Islamic banks. According to Nabhan & Nugraheni (2022), liquidity risk directly affects the financial stability of Islamic banks, but credit risk and operational efficiency variables mediate the relationship of financial stability in Islamic banks. The research concludes that liquidity risk indirectly affects the financial stability of Islamic banks. According to Nugroho et al. (2022), the GCG and BOPO variables affect the financial stability of Islamic banks.

The issue of the financial stability of Islamic banks is interesting to study in depth considering that the results of several previous studies have been inconsistent. It can be observed that there are differences in results and variables in each study, and the importance of maintaining financial stability remains a topic that requires further research. This is due to the significant role of Islamic banks in the economy, which, if not promptly addressed, can lead to a financial crisis. Conducting supervision and maintaining the financial stability of Islamic banks must always be carried out and monitored because it can achieve financial transmission both between Islamic banks and other Islamic banks, as well as between Islamic banks and the community.

From the background description, the problem formulation that the author intends to answer in this research is whether financing affects the financial stability of Islamic commercial banks in Indonesia. Does corporate social responsibility (CSR) affect the financial stability of Islamic commercial banks in Indonesia? Does the audit committee influence the financial stability of Islamic commercial banks in Indonesia?

## **LITERATURE REVIEW**

### **Bank Financial Stability**

Banking financial stability can be defined as the absence of crises in the banking sector system (Ozili, 2018). The financial stability of banks is the balance of banks that are interconnected with each other through interbank deposits and syndicate loans, or through general sector loans and ownership trade (Goodhart et al., 2009). A bank with good financial stability is reflected in its healthy condition and its ability to perform the bank's intermediation function in mobilizing public deposits to be channeled back in the form of credit or financing (Laksa Pratama et al., 2020).

Deutschebank (2003) defines financial stability as a condition of the financial system that has efficient performance in its economic functions such as resource allocation, risk diversification, and payment system settlement that can be maintained even in the event of crises, pressures, and structural changes. According to Schinasi (2004), he explains that the stability of the financial system is the ability of the financial system to allocate resources to support economic activities, manage risks, and withstand crises. According to Law No. 9 of 2016 on the prevention and handling of financial system crises (Law-PPKSK), financial system stability is defined as the condition of a financial

system that functions effectively and efficiently and is able to withstand crises that occur due to both domestic and foreign factors.

### **Trade-off**

In the trade-off theory, it is stated that the risk of bankruptcy in a company arises from the use of debt financing caused by decisions in the capital structure (Kartikayanti & Ardini, 2021). The trade-off theory also explains that companies using debt as capital in their business activities must gain benefits from the debt (Setianti & Haryono, 2023). In Islamic banking, where financing is largely conducted using DPK (third-party funds) that must be returned to customers in the form of profit, it is very important to balance the profit and the financing provided.

### **Social Finance**

Social finance is the application of tools, instruments, and strategies deliberately created to channel capital into activities that provide social benefits to the community (Ozili, 2021). According to Ozili (2021), social finance can also be viewed as an approach to managing finances that combines economic benefits with social benefits. Social finance is a term used to describe the phenomenon where company profits are used for loans or investments in companies that consider themselves social enterprises, and non-profit organizations (Ozili, 2021).

### **Stakeholder**

The stakeholder theory emerged in the mid-1980s (Rokhlinasari, 2015). The goal of this theory is to build a framework that is responsive to the issues faced by managers at that time, namely environmental changes. The goal of stakeholder management is to plan methods that can be used to manage various groups and the relationships generated in a strategic manner (Rokhlinasari, 2015).

In stakeholder theory, a company is not an entity that operates solely for its own interests but must also provide benefits to stakeholders (Rosdwianti et al., 2016). According to Rokhlinasari (2015), this theory assumes that the existence of a company requires stakeholder support, so the company's activities also consider the approval of stakeholders (Rokhlinasari, 2015). The main objective of stakeholder theory is to help company managers understand their stakeholder environment and manage more effectively among the existing relationships within the company environment (Rokhlinasari, 2015). More broadly, this theory aims to help company managers enhance the value of their activities' impacts and minimize losses for stakeholders (Rokhlinasari, 2015).

### **Legitimacy**

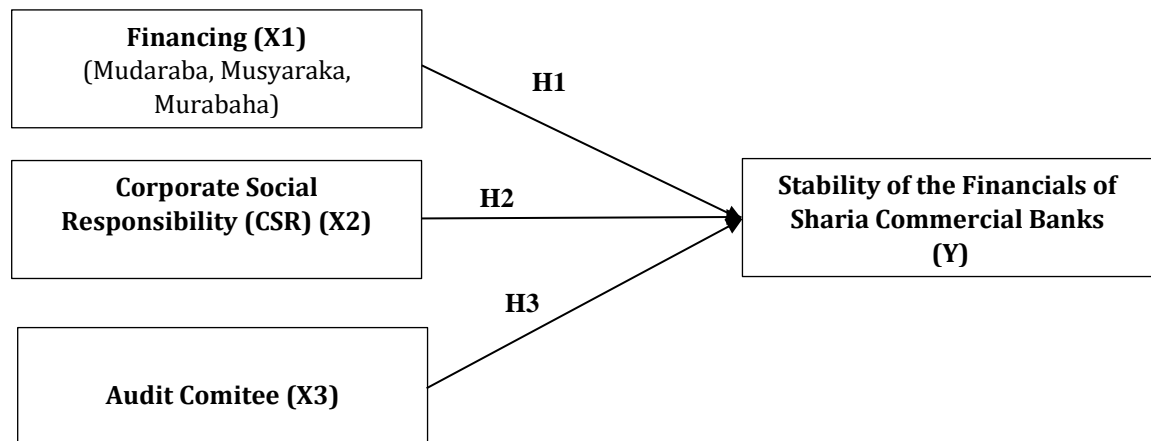
The legitimacy theory states that organizations continuously seek ways to ensure their operations are within the boundaries and norms prevailing in society (Rokhlinasari, 2015). In legitimacy theory, companies voluntarily report their activities if management believes that this is what the community expects (Rokhlinasari, 2015). The legitimacy theory heavily relies on the premise that there is a social contract between the company and the community where the company operates (Rokhlinasari, 2015). The social contract is a method used to explain the community's expectations of how the organization should conduct its activities (Rokhlinasari, 2015).

### **Agency**

Agency theory is a relationship based on a contract where one or more parties (the principal) assign tasks to another party (the agent) to perform services and delegate authority in decision-making (Wardoyo et al., 2021). The agency theory describes the relationship between the agent and the principal, where the manager acts as the agent and the company owner as the principal. This agency relationship can occur due to an agreement between the client and the agent to perform certain tasks.

Companies owned by investors as principals require transparency of information to assess the fairness of management performance results in a timely manner. However, the issue of information asymmetry often occurs between the parties who need that information, and not all of it can be known. Therefore, companies that use external auditors as agents with certain agency fees and specific agreements limited to each other to help provide the necessary information from each party, both investors and the company.

Starting from the presentation of the previously explained hypothesis development. It can be illustrated the framework of thought regarding the influence of financing, social finance, and good corporate governance on the financial stability of Islamic banks in Indonesia as follows:



**Figure 1. Framework**

## RESEARCH METHODE

This research uses a quantitative-descriptive approach. According to Yusuf (2019), quantitative research is a type of research that aims to explain in a sequential, factual, and accurate manner the characteristics of a certain population, or attempts to provide an overview of a phenomenon. This study uses an annual period from 2015-2022 with a focus on financing (mudaraba, musyaraka, murabaha), corporate social responsibility (CSR) as a social financial indicator, and the audit committee as a GCG indicator on the financial stability of Islamic banks in Indonesia. Data were obtained from the official websites of banks, the Financial Services Authority, and other related sources.

**Table 2. Operational Definition of Variables**

No	Variable	Data Proxy	Source
1	Financing	The amount of murabahah, mudharabah, musyarakah	Anam & Khairunnisah (2019)
2	Social Finance	The amount of CSR ( <i>Corporate Social Responsibility</i> )	Cahyaningrum & Muharam (2023)
3	Audit comitee	Number of audit committee members	Lumbanraja (2021)

The analytical test used in this research is panel data, which is a combination of cross-sectional and time-series data. Here are the steps for analyzing panel data in this study, as follows:

$$SEBS_{it} = \alpha + \beta_1 Financing_{it} + \beta_2 CSR_{it} + \beta_3 AC_{it} + \varepsilon_{it}$$

Informations:

SEBS<sub>it</sub> : Stability of Islamic Bank's Finances  
 $\beta_1$ Financing<sub>it</sub> : Financing  
 $\beta_3$ CSR<sub>it</sub> : Corporate social responsibility  
 $\beta_4$ AC<sub>it</sub> : Audit comitee  
i : entity to-i  
t : period to-t

## RESULTS AND DISCUSSION

### Descriptive Data Researcher

The data used in this research is sourced from seven (7) Islamic banks in Indonesia, including BCA Syariah, Bank BJB Jabar Banten Syariah, BTPN Syariah, Bank Mega Syariah, Muamalat Indonesia, Bank Syariah Bukopin, and Victoria Syariah. The following is an overview of the sample research objects:

#### 1. BCA Sharia

According to the 2022 financial report of BCA Syariah, BCA Syariah, which is subsequently abbreviated as BCAS, is the result of BCA's acquisition of PT Bank Utama Internasional Bank (Bank UIB). The transformation of BCA Syariah from a conventional bank to a general sharia bank began on April 5, 2010. Here is the data regarding the BCA Syariah Bank report:

**Table 3. Report of BCA Syariah**

Variable	Year								Mean
	2015	2016	2017	2018	2019	2020	2021	2022	
Z-score	3.3	3.4	3.2	3.1	4.1	4.1	3.9	3.7	3.6
ROA	1	1.1	1.2	1.2	1.2	1.1	1.1	1.3	1.15
Financing	2.914	3.125	3.588	4.306	4.974	4.912	5.561	6.672	4.506
CSR	390	411	493	638	632	676	529	515	535
Audit Comitee	3	3	3	3	4	3	3	3	3

Source: BCA Syariah Annual Financial Report

Based on table 3, it is known that the highest Z-score of BCA Syariah Bank was in 2019 and 2020, which was 3 The lowest Z-score for BCA Syariah Bank was in 2018 with a value of 3.1. Meanwhile, the average Z-score of BCA Syariah over the 8 years from 2015-2022 is 3.6. The Zscore indicates that over the past 8 years, BCA Syariah has had good financial stability. The average ROA of BCA Syariah Bank is 1.15%, with the highest being 1.3% in 2022 and the lowest being 1% in 2015. Thus, it can be said that the average ROA of BCA Syariah Bank is quite healthy. In the years 2017, 2018, 2019, and 2022, the ROA of BCA Syariah Bank was considered healthy. The average financing (Murabaha, mudaraba, musyaraka) of BCA Syariah Bank is Rp. 4,506 billion, with the highest financing in 2022 amounting to Rp. 6,672 billion and the lowest in 2015 amounting to Rp. 2,914 billion. The average CSR disbursed by BCA Syariah Bank is IDR 535 million, with the largest disbursement in 2020 amounting to IDR 676 million and the lowest in 2015 amounting to IDR 390 million. The average number of audit committee members at BCA Syariah is 3, with the highest number being 4 members in 2019.

#### 2. BJB Jabar Banten Syariah

Bank BJB Jabar Banten Syariah was officially established on May 20, 2000. The initial establishment of Bank BJB Jabar Banten Syariah was as a sharia business unit by PT. Bank Pembangunan Daerah Jawa Barat dan Banten Tbk. Bank BJB Jabar Banten Syariah officially began operations on May 6, 2010, after the issuance of the Bank Indonesia governor's decree. Here is the data regarding the report of Bank BJB Jabar Banten Syariah:

**Table 4. Report of Bank BJB Jabar Banten Syariah**

Variable	Year								Mean
	2015	2016	2017	2018	2019	2020	2021	2022	
Z-score	0.2	-8.05	-5.65	0.57	0.6	0.4	0.9	1.17	0.29
ROA	0.25	-8.09	-5.69	0.54	0.6	0.41	0.96	1.14	-1.2
Financing	4.700	4.580	4.290	4.430	5.170	5.450	6.140	7.140	5.240
CSR	1.050	316	385	460	380	382	822	1.199	624
Audit Comitee	5	4	4	3	5	5	5	5	5

Source: Annual Financial Report of Bank BJB Jabar Banten Syariah

Based on Table 4, it can be seen that the average Z-score of Bank BJB Jabar Banten Syariah is 0.29. The highest Z-score of Bank BJB Jabar Banten Syariah was achieved in 2022 at 1.17, and the lowest in 2016 at -8.05. The results indicate that the financial stability of Bank BJB Jabar Banten Syariah falls into the low and poor category. The ROA of Bank BJB Jabar Banten Syariah over the past 8 years has an average of -1.2, with the highest ROA in 2022 at 1.14 and the lowest in 2016 at -8.05. This indicates that the ROA of Bank BJB Jabar Banten Syariah is in an unhealthy condition. Bank BJB Jabar Banten Syariah disbursed an average financing fund of Rp. 5.240 billion, with the highest financing disbursement in 2022 amounting to Rp. 7.140 billion and the lowest in 2017 amounting to Rp. 4.290 billion. Bank BJB Jabar Banten disburses an average of Rp. 624 million for CSR, with the highest disbursement in 2022 amounting to Rp 1.199 million and the lowest in 2016 amounting to Rp. 316 million. The audit committee at Bank BJB Jabar Banten Syariah averages 5 members, with a maximum of 5 members and a minimum of 3 members.

### 3. BTPN Syariah

Bank BTPN Syariah officially began operating as a general sharia bank in Indonesia on July 14, 2014, after a spin-off from the sharia business unit of PT. Bank BTPN Tbk and the conversion process of PT. Bank Sahabat Purba Danarta. The following is the report data of Bank BTPN Syariah:

**Table 5. BTPN Syariah Bank Report**

Variabel	Year								Mean
	2015	2016	2017	2018	2019	2020	2021	2022	
Z-score	5.28	9.07	11.28	12.51	13.7	7.28	10.85	11.57	10.19
ROA	5.2	9	11.2	12.4	13.58	7.16	10.72	11.43	10.08
Financing	3.657	4.940	5.970	7.143	8.796	8.760	9.852	10.893	7.501
CSR	167	90	224	339	396	942	815	415	424
Audit comitee	5	5	4	4	4	3	4	4	4

Source: Annual Financial Report of Bank BTPN Syariah

Based on Table 5, it can be seen that the average Z-score of Bank BTPN Syariah is 10.19, with the highest Z-score in 2022 being 11.57 and the lowest in 2015 being 5.28. It can be concluded from the Z-score results that Bank BTPN Syariah has good financial stability. The average ROA of Bank BTPN Syariah is 10.08, with the highest ROA in 2022 at 11.43 and the lowest in 2015 at 5.2. Thus, it can be concluded that the ROA of Bank



BTPN Syariah is in good condition. The financing disbursed by Bank BTPN Syariah averaged Rp. 7,501 billion, with the highest financing disbursed in 2022 amounting to Rp. 10,893 billion and the lowest in 2015 amounting to Rp. 3,657 billion. In the distribution of CSR funds, the average amount is Rp. 424 million, with the highest distribution in 2020 amounting to Rp. 942 million. The number of audit committee members at Bank BTPN Syariah is 4, with the highest number of audit committee members being 5 in 2015 and 2016, and the lowest being 3 in 2020.

#### 4. Mega Syariah Indonesia

Bank Mega Syariah was initially established on July 14, 1990, under the name PT. Bank Umum Tugu. The acquisition of the bank was carried out by PT. CT Corpora (formerly Para Group) through PT. Mega Corpora and PT Para Rekan Investama in 2001. The transfer of business activities from conventional to sharia was carried out by PT. Mega Syariah on July 24, 2004. Here is the report from PT. Bank Mega Syariah:

**Table 6. Bank Mega Syariah Report**

Variable	Year								Mean
	2015	2016	2017	2018	2019	2020	2021	2022	
Z-score	0.4	2.7	1.7	1	1.02	1.8	4.1	2.7	1.9
ROA	0.3	2.63	1.56	0.93	0.89	1.74	4.08	2.59	1.8
Financing	40.660	46.400	45.930	51.330	60.320	48.990	71.710	71.550	54.610
CSR	740	230	3.547	3.011	1.954	1.920	5.394	19.428	4.528
Audit comitee	3	3	3	3	3	3	3	3	3

Source: Annual Financial Report of Bank Mega Syariah

From Table 6, it is known that the average Z-score of Bank Mega Syariah is 1.9, with the highest value in 2021 at 4.1 and the lowest in 2015 at 0.4. From the Z-score results, it can be seen that over the past 8 years, Bank Mega Syariah has had good financial stability. Meanwhile, in 2015, Bank Mega Syariah had the lowest Z-score and poor financial stability. Bank Mega Syariah has an average ROA of 1.8% with the highest ROA in 2021 at 4.08% and the lowest in 2015 at 0.3%. Therefore, it can be said that Bank Mega Syariah has a healthy average ROA. As for financing, Bank Mega Syariah averages Rp. 54.610 billion, with the highest financing in 2021 amounting to Rp. 71.710 billion and the lowest in 2015 at Rp. 40.660 billion. The CSR funds distributed by Bank Mega Syariah average Rp. 4.528 million, with the highest amount distributed being Rp. 19.428 million and the lowest being Rp. 230 million. The audit committee at Bank Mega Syariah averages 3 members.

#### 5. Muamalat Indonesia

Bank Muamalat Indonesia Tbk or BMI is the first bank to use the concept of sharia banking in Indonesia. The deed of establishment of the Company was made on November 1, 1991, and obtained approval on March 21, 1992. Here is the report from Bank Muamalat:

**Table 7. Report of Bank Muamalat Indonesia**

Variable	Year								Mean
	2015	2016	2017	2018	2019	2020	2021	2022	
Z-score	1.02	1.09	1.31	1	1.09	1.06	1.15	1.22	1.12
ROA	0.2	0.22	0.11	0.08	0.05	0.03	0.02	0.09	0.1
Financing	38.559	37.785	35.630	31.614	28.562	27.419	16.827	17.357	29.219
CSR	17.289	2.386	11.438	11.376	11.430	9.300	7.786	5.936	9.611
Audit Comitee	4	4	3	3	7	7	3	5	4

Source: Annual Financial Report of Bank Muamalat

From Table 7, it can be seen that the Z-score of Bank Muamalat has an average of

1.12, with the highest value in 2017 at 1.31 and the lowest in 2018 at 1.0. From the Z-score results, it can be concluded that the stability of Bank Muamalat can be considered quite good. The ROA of Bank Muamalat has an average of 0.1, with the highest ROA in 2016 at 0.22% and the lowest in 2021 at 0.02. Therefore, it can be said that the ROA of Bank Muamalat is in an unhealthy state and requires special attention. The average financing of Bank Muamalat is Rp. 29.219 billion and the average funds allocated for CSR is Rp. 9.611. The average number of audit committee members at Bank Muamalat is 4, with a minimum of 3 members and a maximum of 7 members on the audit committee.

## 6. Syariah Bukopin

Bank Syariah Bukopin was established in 1990 in Samarinda under the name PT. Bank Swansarindo Internasional. In 2001-2003, Bank Swansarindo was acquired by the Muhammadiyah organization and its name was changed to PT. Bank Persyarikatan Indonesia. Next, from 2005 to 2008, it was gradually acquired by PT. Bank KB Bukopin Tbk. In 2009, the merger of the Sharia Business Unit of PT. Bank Bukopin Tbk into PT. Bank Syariah Bukopin was carried out. Here is the report of Bank Syariah Bukopin:

**Table 8. Bukopin Sharia Bank Report**

Variable	Year								Mean
	2015	2016	2017	2018	2019	2020	2021	2022	
Z-score	1.02	1.09	1.31	1	1.09	1.06	1.15	1.22	1.12
ROA	0.2	0.22	0.11	0.08	0.05	0.03	0.02	0.09	0.1
Financing	4.226	4.694	4.299	4.048	4.518	3.859	3.966	4.998	4.330
CSR	642	597	701	647	997	840	625	696	718
Audit Comitee	4	4	3	3	7	7	3	5	4

Source: Annual Financial Report of Bank Syariah Bukopin

Based on Table 8, it can be seen that the Z-score of Bank Syariah Bukopin has an average of 1.16, with the highest value in 2021 being 5.53 and the lowest in 2017 being 0.08. Thus, it can be said that the average financial stability of Bank Syariah Bukopin is in poor condition, and only in 2021 can the Zscore of Bank Syariah Bukopin be said to be in good financial stability. The ROA of Bank Syariah Bukopin has an average of 1.09, which means that Bank Syariah Bukopin is in a fairly healthy condition. However, during the years 2015, 2017, 2018, 2018, and 2020, the ROA condition can be considered unhealthy. The average financing provided by Bank Syariah Bukopin is Rp. 4.330 billion. And the average funds allocated for CSR by Bank Syariah Bukopin amount to Rp. 718 million. The average number of Shariah audit committees at Bukopin is 3 audit committee members.

## 7. Victoria Syariah

Bank Victoria Syariah was established on April 15, 1966, under the name PT. Bank Swaguna. Then Bank Victoria Syariah underwent a change in business activities from conventional to sharia commercial bank on February 10, 2010. Here is the report of Bank Victoria Syariah:

**Table 9. Report of Bank Victoria Syariah**

Variabel	Year								Mean
	2015	2016	2017	2018	2019	2020	2021	2022	
Z-score	-2.26	-2.09	0.48	0.43	0.17	0.29	0.88	0.85	-0.15
ROA	-2.36	-2.19	0.11	0.32	0.05	0.16	0.71	0.45	-0.31
Financing	1.012	1.167	1.241	1.215	1.207	1.163	798	621	1.053
CSR	955	339	552	505	223	91	54	90	143
Audit Comitee	2	3	3	4	4	2	4	4	4

Source: Annual Financial Report of Bank Victoria Syariah

Based on Table 9, it can be seen that the Z-score of Bank Victoria Syariah has an average of -0.15, with the highest value in 2021 being 0.88 and the lowest in 2015 being

-2.26. Thus, it can be said that the average financial stability of Bank Victoria Syariah is in poor condition. The ROA of Bank Victoria Syariah has an average of -0.31, which indicates that Bank Victoria Syariah is in an unhealthy condition. The average financing provided by Bank Victoria Syariah is Rp. 1.053 billion. And the average funds allocated for social purposes by Bank Victoria Syariah amount to Rp. 91 million. The average number of audit committee members and directors at Bank Victoria Syariah is 4 audit committee members and 4 directors.

### Descriptive Statistical Test

The results of the descriptive statistical tests conducted by the researcher aim to provide an overview of the data used, such as the mean, maximum value, minimum value, and standard deviation of the variables tested in the study.

**Table 10. Descriptive Statistics**

Variable	Observation	Average	Min.	Max.	Standard Deviation
Z-Score	56	2.39	-8.05	13.70	3.9
Financing	56	1.42	0.365	6.67	2.01
CSR	56	1.92	8.12	17.3	2.01
Audit Comitee	56	3.00	2.00	7.00	1.05

Source: Data processed with Eviews 10, 2024

Based on Table 10, it can be seen that in this study, the number of samples used was 56 observations. That number was obtained from the financial statements of 7 Islamic banks in Indonesia from 2015-2022. Other results that can be obtained from table 4.1 include:

1. The Zscore variable has an average value of 2.39 with a highest value of 13.70 and a lowest value of -8.05. The standard deviation of the Zscore variable is 3.9. From the data that has been collected, it is known that the highest Z-score value is found in Bank BTPN Syariah, which is 13.70. The lowest Z-score occurred at Bank BJB Jabar Banten in 2016 with a value of -8.05. Within a period of 2 years, Bank BJB Jabar Banten was able to achieve a relatively high Z-score. Based on the 2016 financial report of Bank BJB Jabar Banten, the bank's stability tends to be poor due to high non-performing loans and business activities that are still below the average of Islamic banks in Indonesia, as well as negative profits. In addition, Bank BJB Jabar Banten increased its productive asset reserves, which led to profit suppression and recorded a pre-tax loss of Rp 545.97 billion. That condition affected the decline in the capital condition of Bank BJB Jabar Banten. In 2018, to enhance the stability and health of Bank BJB Jabar, efforts were focused on improving productive assets and asset recovery. To address problematic financing, Bank BJB Jabar Banten wrote off several core debtors, resulting in a reduction of assets by Rp. 972.11 billion and became more cautious in providing financing to the productive segment. DPK at Bank BJB Jabar Banten also experienced a decline to maintain the FDR at an optimal level. These efforts were made to reduce corporate deposits to maintain CASA. From the efforts made, the bank experienced a decrease in giro products and an increase in savings.
2. In the financing variable, the average value is 1.42 with a maximum value of 6.67 and a minimum value of 0.365. The standard deviation of financing is 2.01. Bank BCA Syariah in 2022 had the highest financing, reaching Rp 7.6 trillion. This was achieved by BCA Syariah by considering the prudent and measured distribution of financing. Bank BTPN Syariah in 2015 became the bank with the lowest financing distribution, amounting to Rp 3.8 trillion.

3. The CSR variable has an average value of 1.92 with a maximum value of 17.3 and a minimum value of 8.12. The bank that disbursed the highest amount of social finance was Bank Muamalat in 2015, with a total disbursement of Rp. 17.3 billion, while the lowest was BTPN Syariah with Rp. 0. This is because BTPN Syariah Bank does not disclose the amount of funds allocated for social purposes such as zakat or CSR, on the grounds that the bank does not provide amil or is not a zakat collection institution.
4. The audit committee variable has an average value of 3.00 with a maximum value of 7.00 and a minimum of 2. The standard deviation of the audit committee variable is 1.05. Bank Muamalat in 2019-2020 had a total of 7 audit committee members. The minimum score of 2 is obtained from the number of audit committee members, which is 2 people. The bank that has 2 audit committee members is Bank Syariah Bukopin.

### Selection of Panel Regression Model

This study uses panel data regression from 7 Islamic banking companies in Indonesia from 2015 to 2022. To determine the best model selection test to be used in the research testing phase, the researcher conducted the panel regression model testing phase. The results of the test are as follows:

**Table 11. Results of the Chow Test, Hausman Test, and LM Test**

Description	Effect Test	Statistic	Prob.
Chow Test (CEM)	Cross-section F	63.249989	0.5100
Hausman Test (REM)	Cross-section Random	8.895312	0.0731
LM Test (CEM)	Both	4.499554	0.0503

Source: Data processed with Eviews 10, 2024

Based on table 11, it is known that the result of the Chow Test has a chi-square probability value of 0.5000. The result of the Chow test has a significance above 0.05, so the chosen model is the CEM (Common Effect Model). Next, the researcher conducted the Hausman test, and from the test, it was found that the probability result was 0.0731. From the value of the Hausman Test, which shows a significance result of more than 0.05, the model chosen is the REM (Random Effect Model). Then the researcher conducted the LM (Lagrange Multiplier) test. From the results of the test conducted, it was found that the LM test result was 0.5003. The LM test result has a significance of more than 0.05, so the chosen model is the CEM (Common Effect Model).

From the results of the three model tests that have been conducted, it shows that the CEM model is better than the REM model, as seen from the Hausman test results. This is because in the LM, the value that appeared was  $0.0503 > 0.05$ . Therefore, this research uses the CEM (Common Effect Model).

### Classic Assumption Test

According to Rahayu et al. (2020), classical assumption tests are conducted to avoid problems during regression that usually occur in studies using more than 2 variables. In this study, the normality test was not used because the normality test is only applied when the number of observations is less than 30 to determine whether the error term approaches a normal distribution (Rahayu et al., 2020).

### 1. Normality Test

The normality test is conducted to examine whether in the regression model, the disturbance variable or residuals are normally distributed. Here are the results of the normality test:

**Table 12. Heteroscedasticity Test**

Prob. Jarque	0.165474
Bera	

Source: Data processed with Eviews 10, 2024

From the results displayed in table 12, it can be seen that the results of the normality test show a Jarque-Bera probability of 0.165474. The result is greater than the significance level of  $> 0.05$ . therefore, it can be said that the model in this study is normally distributed.

## 2. Heteroscedasticity Test

Heteroscedasticity test is a condition where the variance of the disturbance error is not constant for all values of the independent variable (Rahayu et al., 2020). The following are the results of the heteroscedasticity test data processing:

**Table 13. Heteroscedasticity Test**

Variable	Prob.
Financing	0.0680
CSR	0.8014
Auditcomitee	0.2805

Source: Data processed with Eviews 10, 2024

From the results of the heteroscedasticity test shown in table 13, it is known that the probability values of each variable are  $> 0.05$ . The results conclude that the model in this study does not detect any heteroscedasticity issues.

## 3. Multicollinearity Test

The multicollinearity test is conducted to detect the relationship between independent variables (Rahayu et al., 2020). The test can be said to be free from multicollinearity if the coefficient value shows  $< 0.85$ . Here are the results of the multicollinearity test:

**Table 14. Multicollinearity Test**

	Financing	CSR	Audit Comitee
Financing	1	-0.28610	-0.41560
CSR	-0.28610	1	0.17191
Audit Comitee	-0.41560	0.17191	1

Source: Data processed with Eviews 10, 2024

The results of the multicollinearity test in table 14 indicate that there is no multicollinearity issue in this study. This is known from the variable coefficient results which are less than 0.89.

## Hypothesis Testing

Model selection tests were conducted to determine which of the three approaches is the best and most suitable for the data used in the research. From the results of the model selection test, it can be concluded that in this study, the best test is using the CEM (Common Effect Model). Here are the results of the data processing.

**Table 15. Data processing results**

Description	Coefficient	t-statistic	Prob
Financing	0.138952	4.263392	0.0001
CSR	0.374056	2822610	0.0068
Audit Comitee	26.84371	1.745236	0.0871
Prob (F-Stat)		0.000388	
R-square		0.303598	
Adj. R2		0.261813	

Source: Data processed with EvIEWS 10, 2024

### 1. Adjusted R<sup>2</sup> Test

Based on the results of the coefficient of determination test that has been conducted to determine the extent to which the model can explain the variation in the financial stability variables of Islamic commercial banks in Indonesia from 2015 to 2022. From Table 15, it is known that the R-Square is 0.303598, meaning that the financing, CSR, and audit committee variables can explain the financial stability of Islamic commercial banks in Indonesia by 30.35%. Meanwhile, 69.65% is influenced by other variables that were not tested and researched in this study.

### 2. Simultaneous Significance Test (F Test)

The F-test is conducted to determine whether the independent variables simultaneously or collectively can affect the independent variable. In table 15, it is known that the prob value (F-statistic) is  $0.000388 < 0.05$ , so the variables of Financing, CSR, and the audit committee significantly affect the financial stability of Islamic commercial banks at the 5% significance level.

### 3. Partial Significance Test (T-Test)

Partial test or T-test is conducted to determine whether the variables of financing, social finance, and GCG can affect the variable of financial stability measured by Z-score.

- a. The influence of financing on the financial stability of Islamic commercial banks in Indonesia

The results of the hypothesis test for murabahah, mudh rabah, and musyarakah financing show a probability result of  $0.0001 < 0.05$ . The result indicates that the financing variable in Islamic commercial banks affects the financial stability of Islamic commercial banks in Indonesia. The coefficient value of the financing variable is 0.138952. This means that each 1% increase in financing will result in an increase in the financial stability of Islamic banks by 0.138952. The result proves that financing affects the financial stability of Islamic commercial banks in Indonesia. Thus, in this study, H1 is accepted and H0 is rejected.

- b. The influence of corporate social responsibility on the financial stability of Islamic commercial banks in Indonesia

The results of the social finance variable test through CSR on the financial stability of Islamic commercial banks are  $0.0068 < 0.05$  with a positive coefficient value of 0.374056. The result can explain that when social finance increases by 1 unit, the financial stability of Islamic commercial banks increases by 0.374056. Thus, the result of this study is that social finance has a positive and significant impact on the financial stability of Islamic commercial banks. Therefore, the H2 hypothesis in this study is accepted and H0 is rejected.

- c. The influence of the audit committee on the financial stability of sharia commercial banks in Indonesia

The results of the GCG hypothesis test through the audit committee on the financial stability of Islamic commercial banks have a probability value of  $0.0871 > 0.05$  with a positive coefficient value of 26.84371. The results conclude that the audit committee does not affect the financial stability of sharia commercial banks in Indonesia at a significance level of 0.05 but has a positive effect at a significance level of 0.10. This means that the

audit committee has a positive influence on the financial stability of sharia commercial banks in Indonesia. The positive coefficient value of 26.84371 indicates that every 1% increase in the audit committee will enhance the financial stability of Islamic commercial banks by 26.84371. From these results, it is concluded that H3 is accepted and H0 is rejected.

## **Discussion**

### **The influence of financing on the financial stability of general Islamic banks**

Based on the research results presented in table 4.13, it is known that financing (murabahah, mudaraba, musyaraka) has a positive and significant effect on the financial stability of Islamic commercial banks. This can be seen from the data processing results which show a significance probability value of 0.0000, which is smaller than the significance level of 0.05 or 5%, with a positive coefficient of 1.955414.

Financing has a positive and significant impact on the financial stability of Islamic commercial banks due to the financing itself, which is the main source of the operational activities of Islamic banks, and Islamic banks earn profits or gains from the financing provided, whether through murabaha, mudaraba, or musyaraka.

Financing essentially becomes one of the business activities in Islamic banks. Thus, the financing carried out by Islamic banks can become a source of profit for the company. The purpose of the bank providing financing to customers includes seeking profit, assisting in the development of customers' businesses, increasing the utility of capital, and revitalizing the community's economy.

In obtaining profits from financing conducted by Islamic banks. Islamic banks set margins and markups on prices to obtain a difference from the selling price or financing provided to customers, and then those customers are required to repay the capital. In addition, Islamic banks also implement profit-sharing, which can ease the burden on customers in repaying the capital according to the profits obtained from their business. In addition, with profit-sharing, Islamic banks are able to reduce the risk of customers defaulting on their loan repayments to the Islamic bank.

The result is in accordance with the trade-off theory. Where the theory states that business activities of a company sourced from debt and loans will seek ways to profit from those loans. Islamic banks, which have core capital sources from shareholders and third-party funds (DPK), serve as intermediaries between the community with excess capital and those in need of capital. The capital is distributed in various forms of loans and financing that the customers must eventually repay to the Islamic bank along with profits according to the contract.

The results of this study are supported by previous research, namely Muthmainnah et al. (2022), Anam & Khairunnisah (2019), and Danlami et al. (2023), which state that financing affects the financial stability of Islamic commercial banks. The main factor of financing that increases the financial stability of Islamic banks is that general Islamic banks provide financing for every member of society who needs additional capital, and the bank's income heavily relies on the profits obtained from the financing activities disbursed.

The results of this study differ from Cicik Mutiah et al. (2020), who stated that financing does not affect the financial stability of Islamic commercial banks. According to Cicik Mutiah et al. (2020), financing does not affect the financial stability of Islamic commercial banks due to the payment methods used by financial institutions such as banks in a gradual or installment manner. This method allows the bank to obtain profits gradually. So, if the repayment is faster, it causes the income received by the Islamic bank to be less optimal.

The cause of the differences in the research results of Cicik Mutiah et al. (2020) is that the study conducted by Cicik Mutiah et al. (2020) only examined BRI Syariah Bank in the financial reports from 2009-2019. Where in the sample used, the financial performance of Bank BRI Syariah was in poor condition. This is evidenced by the fact that from 2009 to 2019, the ROA of Bank BRI Syariah was between 0.77% - 0.98%.

### **The influence of corporate social responsibility on the financial stability of Islamic commercial banks**

Based on the research results that have been conducted, it can be concluded that corporate social responsibility or CSR as an indicator of social finance has a positive and significant impact on the financial stability of Islamic commercial banks. The result was obtained from data processing that showed a probability value of  $0.0068 < 0.05$  with a positive coefficient value. The result identifies that each increase in CSR causes the financial stability of Islamic commercial banks to increase by 0.122252.

CSR has a positive and significant impact on financial stability due to the positive effects that improve the image of Islamic banks in the eyes of the public. A good image makes investors interested in providing more capital for the operations of Islamic banks. In addition, it increases consumer loyalty. By establishing good relationships with loyal customers, it provides opportunities for increased company sales, which in turn boosts the use of Islamic bank products by customers, leading to increased profitability.

The results are in line with stakeholder theory, where the company is not an entity that operates solely for its own interests but must provide benefits to stakeholders (Rosdwianti et al., 2016). In this theory, CSR becomes the company's commitment to contribute to economic development that focuses on economic, social, and environmental aspects. With the CSR activities reported by the company, the relationship between the company and stakeholders such as investors, the community, and the government becomes closer.

The results of this study are consistent with the research conducted by Rosdwianti et al. (2016), Eliana et al. (2020), Nabillah & Oktaviana (2022), and Nurindahyanti et al. (2019), which state that CSR has a positive and significant impact on the financial stability of Islamic commercial banks. The main factor for Islamic commercial banks to allocate and distribute funds in the form of CSR is because it is mandatory in the form of income zakat. In addition, the distribution of funds for social purposes can also enhance the company's positive image, which will attract consumers and investors.

This result differs from Danlami et al. (2023), Auliyah & Basuki (2021), and Marito et al. (2021) who state that social finance does not affect the financial stability of Islamic commercial banks. According to Auliyah & Basuki (2021), social finance does not affect the financial stability of Islamic commercial banks because the business activities of Islamic banks do not directly impact the environment and nature, causing the disclosure of social finance to be merely a formality, thus not guaranteeing an increase in reputation by reporting social finance. Another factor is the operational approach of Islamic banks, which is more focused on customer service. It becomes an issue if the service provided by the Islamic bank is unsatisfactory, as frequent social activities do not guarantee good customer service and do not improve the financial performance of the Islamic bank.

The difference in results compared to previous studies such as Danlami et al. (2023), Auliyah & Basuki (2021), and Marito et al. (2021) lies in the sample used. Whereas in the study by Marito et al. (2021), the sample used was only from Bank Muamalat from the years 2020 – 2021, during which the financial condition of Bank Muamalat was in poor health. Meanwhile, the difference in research results with Auliyah



& Basuki (2021) is that the sample in Auliyah & Basuki (2021) only focused on 4 sharia banks listed on the Indonesia Stock Exchange (IDX). The research results also differ from Danlami et al. (2023) in that in Danlami et al. (2023), social finance data was obtained from zakat distribution institutions, not from Islamic banks, so there is no connection between the social finance provided by zakat distribution institutions and Islamic banks, and it does not enhance the reputation of Islamic banks.

### **The influence of the audit committee on the financial stability of Islamic commercial banks**

Based on the results of the research conducted, it can be concluded that the audit committee has a positive influence on the financial stability of Islamic commercial banks. The result was obtained from data processing that showed a probability value of  $0.0871 < 0.10$  with a positive coefficient value of 26.84371. The result identifies that each increase in the audit committee causes the financial stability of Islamic commercial banks to increase by 26.84371.

The audit committee has a function that assists the board of commissioners in improving the quality of financial reports, creating a climate of discipline and control that can reduce the chances of deviations in company management, enhancing the effectiveness of both internal and external audit functions, and identifying matters that require the attention of the board of commissioners (Syofyan, 2021). In Islamic banks and companies, the audit committee has an impact on improving financial reports and minimizing fraudulent actions that could harm the stability of the company.

The audit committee also helps ensure that Islamic banks comply with all regulations and Sharia accounting standards to support their reputation and customer trust. The audit committee can enhance transparency in financial reporting and ensure that the presented financial information is accurate and complete, thereby helping to maintain the bank's financial stability. The audit committee plays a role in assessing and strengthening the internal control system, which is crucial for preventing fraud and operational errors in the bank, as well as ensuring operational efficiency and effectiveness. It also helps identify and manage the risks faced by Islamic banks, thereby reducing the potential losses that could disrupt financial stability.

In agency theory, it is a relationship based on a contract where one or more parties (the principal) assign tasks to another party (the agent) to perform services and delegate authority in decision-making (Wardoyo et al., 2021). The agency theory describes the relationship between the agent and the principal where the manager acts as the agent and the owner of the company as the principal. This agency relationship can occur due to an agreement between the client and the agent to perform certain tasks. In this case, stakeholders delegate the audit committee to oversee financial reports, internal controls, and other obligations to produce the best financial reports, so that investors and stakeholders are interested in investing their capital in Islamic banks.

This result is consistent with Diah Sari et al. (2020) and Sitanggang (2021), where the existence of an audit committee can influence changes in the company's financial performance because the audit committee assists the board of commissioners in overseeing the financial reporting process by management to enhance the credibility of financial statements. Meanwhile, according to Suryandani (2022), the audit committee functions as a liaison between investors and the board of commissioners in resolving issues. The stability of the company will improve even more if problems within the structure can be quickly resolved by the audit committee. In addition, the presence of an audit committee will enhance investor confidence in every operational activity of the

company and the Islamic bank.

## CONCLUSION

The purpose of this research is to examine and analyze the influence of financing, social finance, and GCG on the financial stability of Islamic commercial banks in Indonesia, measured by Zscore. The data used in this research are secondary data obtained from the annual financial statements from 2015-2022 published by each of the Islamic commercial banks that are the subjects of the study. Data processing was carried out using the panel data regression model with the Eviews 10 application.

Based on the research results that have been conducted, it shows that simultaneously, financing, social finance, and GCG have an impact on the financial stability of Islamic commercial banks in Indonesia. The results can be seen from the data processing that has been conducted, where financing has a significant and positive effect on the financial stability of Islamic commercial banks in Indonesia. Corporate social responsibility or CSR, which serves as an indicator of social finance, affects the financial stability of Islamic commercial banks in Indonesia. And the audit committee, which is an indicator of good corporate governance, affects the financial stability of Islamic commercial banks in Indonesia.

Some recommendations from the research conducted are Diversification of Financing, Banks with low financial stability should increase financing diversification. Relying solely on one type of financing, such as murabahah, can increase the risk in case of market fluctuations or a surge in Non-Performing Financing (NPF). Therefore, banks need to develop a more diverse range of financing products, such as mudharabah and musyarakah, to reduce dependence on a single type of contract. Improvement of CSR Reports to enhance reputation and customer trust, banks need to be more transparent in reporting their Corporate Social Responsibility (CSR) activities. Clear and measurable reports on the bank's social contributions can strengthen relationships with the community and increase customer loyalty, which ultimately contributes to the bank's financial stability. Strengthen the Audit Committee's Function to ensure that the audit committee has a stronger role in overseeing operations and compliance with regulations. With stricter oversight, banks can reduce operational risks that could threaten financial stability.

The academic recommendations obtained from this research include the development of Islamic finance theory, particularly in the context of financing based on mudharabah and musyarakah, which are more vulnerable to market fluctuations and financing risks. A deeper understanding of risk management in sharia financing can make a significant contribution to the sharia finance literature. Longitudinal studies on the impact of CSR on the financial stability of Islamic banks can help strengthen the argument that CSR is not just a marketing strategy, but also an important tool in building long-term relationships with customers and other stakeholders. Further analysis regarding the role of the audit committee in GCG to explore how the role of the audit committee in Good Corporate Governance (GCG) affects the performance and stability of Islamic banks. This research can help build practical guidelines for banks to strengthen their governance structures.

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