

# Assessing The Effectiveness of Sharia-Based Sustainability Reporting Model in Enhancing Islamic Social Finance for Sustainable Development and Planning of Village Assets: A Case Study of Sumberdodol Village

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## Abstract

This research analyzes the role of a Sharia-compliant sustainability reporting model in increasing the effectiveness of Islamic social finance for sustainable development and village asset management in Sumberdodol Village. The study employs a descriptive quantitative approach, which integrates questionnaire surveys and structured interviews with the BUMDES management. The results showed that compliance with Sharia law brings considerable improvements concerning a business's financial management, accountability, and transparency. In particular, the results observed improved transparency and accuracy in financial reporting, accountability in asset management, and a focus on social responsibility coupled with strategic planning as core elements of financial management. The study concludes that the Sharia-compliant sustainability reporting model successfully enhances Islamic social finance for sustainable development and village asset management in rural areas while also offering pragmatic approaches to the management of village assets.

**Keywords:** Accountability; Islamic Social Finance; Sharia-Based Sustainability Reporting; Sustainable Development; Transparency.

## 1. Introduction

### 1.1. Background: Sharia-based sustainability reporting model

The novel Sharia-based sustainability reporting model allows the embedding of Islamic principles into the mechanisms of sustainability reporting. This model seeks to assist businesses in disclosing their sustainability performance, especially those serving the Muslim communities or operating in Islamic markets (Giner & Luque-Vilchez, 2022). It is recommended that a company's financial and non-financial performance be reported precisely and clearly.

Organizations should devote their attention to social welfare and community development. In addition, it supports responsible stewardship of natural resources, ecological protection, and the reduction of environmental damage. Attention is also given to principles of good governance and ethics, paying particular attention to Islamic moral values and legal respect. It also promotes collaboration among the stakeholders, which include the public, employees, shareholders, and customers (Sebrina et al., 2022). With this model, businesses can enhance their image while demonstrating their compliance with the principles and values of Islam as well as supporting the establishment of a sustainable and responsible business environment.

## 1.2. Context: Sumberdodol village

The distinguishing feature of Sumberdodol, the Indonesian village under consideration, is its Islamic culture and practices. This village has various economic activities that greatly boost its economy (Sumarta et al., 2021). Yet, it suffers from chronic resource deficiencies, poor infrastructure, limited access to markets, and other barriers that are obstacles to attaining sustainable development. As of late, Sumberdodol has been implementing plans aimed at improving living standards and achieving sustainable development. These initiatives aim to create Sharia-compliant sustainability reporting systems for businesses and other entities operating in the region. These systems would strengthen the social responsibility and social accounting activities of the companies engaged in such reporting. These efforts are in support of the sustainable development goals of the village (Setyaningsih et al., 2024). Sumberdodol's capacity to implement these plans confirms the project's feasibility concerning the prospective impact of the reporting model on sustainable development and Islamic social finance.

### 1.2.1. Research question

How does the Sharia-based sustainability reporting model influence Islamic social finance regarding sustainable development and the governance of village assets?

For this purpose, I will review literature about the social financing model for the planning as well as the sustainable development of Sumberdodol Village through the application of a Sharia-based sustainability reporting model (Firmialy & Nainggolan, 2018). What are the effects of the Sharia-based sustainability reporting model on Islamic social finance, sustainable development, and asset planning in the village?

This model will help in fathoming the impact of the Sharia-based model on governance in the planning of finances, investments, the social finance system, and sustainable development targets for the village.

In rural regions, the comprehensive management of village assets is essential for community development and economic advancement. The Indonesian government created the Village Fund program to encourage the rural economy and provide equitable access to economic opportunities, and Usman, 2020 explained. However, this initiative is lacking for many reasons. Some of the reasons include a lack of requisite skills, complicated logistics, poor coordination at both the village and district levels, and a fragmented approach to development planning. To solve these concerns, the model would bolster Islamic social funding for sustained development and village resource planning, thus improving financial management, accountability, and transparency of funds governance. Local governments should improve policies that change the DPMD-regulated policies of the Minister of Village Development and Community Empowerment by strengthening the DPMD Community and Village Empowerment Body, providing technology aid, and training programs (Anantadjayaa et al., 2024).

Addressing these village fund challenges more effectively can play a pivotal role in fighting unsustainable rural development, advancing interregional collaboration, and invigorating the rural economy. A Sharia-based model of sustainability reporting could significantly improve the management of village assets and further sustainable community development in rural areas. Adopting this model enables communities such as BUMDES Sumberdodol Village to improve and better integrate their financial management with reporting and transparency systems aligned with Sharia business norms (Gutiérrez-Ponce & Wibowo, 2023). This enhances community trust, improves precision in fund allocation, bolsters enhanced planning, and strengthens planning for sustainability.

The model can manage the optimization of the village's assets with the intention of financially benefitting the community and improving the quality of life within the village as well. The objective of BUMDES is to improve the effectiveness of local asset management and resource utilization, which can be achieved with a Sharia-based model. Adopting Sharia principles allows BUMDES to conduct its business in a Sharia-compliant way. Furthermore, the Different Forms of Recognition Received by Local Government and Some Ministries for the Accomplishments of BUMDES Sumberdodol show the Need for Transparency, Trust, Accountability, Compliance with Sharia, and Good Governance. These all highlight why the designated region so thoroughly practiced these principles. For that reason, the framework of Sharia sustainability reporting has a required impact on the formation of Sharia-compliant villages.

The proper working of BUMDES (which stands for village-owned enterprises) is essential for the economic advancement as well as the sustainable growth of the given village. Law number 11 from the year 2021 describes the scope of an innovation, local economic growth, and even area of intervention. Then, the area BUMDES is required to build is supporting edge in other activities, such as hospitality and spending local assets effectively (Sunani et al., 2024). The development of BUMDES in Sumberdodol Village is also a case of how the application of Sharia sustainability reporting aids the sustainable development of Desa-level economic empowerment.

Nonetheless, the financial management of BUMDES struggles to maintain the desired levels of accountability and transparency, which are critical for achieving community empowerment. Justina and Lantara (2023) apply Sharia business theory to illustrate that BUMDES is positioned to undertake profitable operations within the framework of Sharia-compliant businesses. The effectiveness of BUMDES is enhanced through the application of a Sharia sustainability reporting framework that improves accountability and transparency while fostering regulatory compliance with Sharia law, thus providing an impetus for enhanced performance. This model fulfills the economic empowerment targets of BUMDES and the national development objectives of Indonesia by facilitating the optimal exploitation of local resources, propelling village-centered economic development, and improving the well-being of the people.

## 2. Literature review

This outlines the role of Islamic social financing in the sustainable development of rural areas. The author noted increasing dependence upon adopting Islamic ideology while calling for greater creativity in the design of sustainability reporting. For this survey, I propose the consideration of Sharia-compliant sustainability reporting and its implications for Islamic Financial Institutions with regard to the responsibility, accountability, transparency, and social indicator obligations of SROI and related frameworks. Islamic social finance, through community-based and cooperative development approaches, is expected to contribute to sustainable rural development (Dewi et al., 2023). Moreover, the article evaluates the relationship between the Islamic banks' social responsibility and sustainability reporting. These works offer empirical evidence reinforcing the relationship between sustainable development, sustainability reporting, and Islamic social finance in rural communities like Summerwood Village.

### 2.1. Sharia-based sustainability reporting model

Islamic social finance refers to the ethical financing system that focuses on equity and justice in society along with social responsibility (Windiarti & Siregar, 2023). Its features include community commitment to social welfare and community development; usury and predatory contracts

prohibition; charity and volunteer work; microfinance and small business support; cooperative debt and equity financing with shared risk; and considering social and ecological factors in investment choices.

Islamic social finance is an integrated part of other financial services. It can be adopted by individuals, businesses, and institutions, which enhances the sustainability and equity of the financial system (Sumarta et al., 2023). It helps maintain order in society by optimizing the financial capital. It will also enhance the soundness and stability of a financial system by improving the accountability, transparency, and fairness of financial transactions. Moreover, it addresses many important social and economic challenges. Islamic social finance brings new perspectives on the moral dimensions of business strategies for social and economic justice.

## 2.2. Islamic social finance

As defined by Putri and Pratama (2023), Islamic social finance incorporates Islamic economic principles with the specific aim of community development, poverty alleviation, as well as sustainable socio-economic advancements. It further integrates the concept of social responsibility within the stewardship of the community, socio-ecological relational development, and ecological concern.

### 2.2.1. Key components of Islamic social finance include

Zakat (charitable giving)

Waqf (endowments)

Sadaqah (voluntary charity)

Qardh Hasan (interest-free loans)

Mudarabah (profit-sharing)

Takaful (Islamic Insurance)

These components foster an overarching structure that promotes compassion, equity, and welfare for all. The Islamic social finance system presents unique approaches to solving social and economic problems while enhancing sustainability and equity in the financial system.

### 2.2.2. Sustainable development and planning of village assets

Yayasan can improve local asset planning and sustainable development with the Islamic social finance framework (Ardiana, 2021). By spending Zakat and Sadaqah funds on village developmental activities, setting up Waqif properties for income generation, offering Qardh Hasan loans, partnering with Mudarabah profit-sharing firms, granting Takaful Islamic insurance, extending free community participation in governance, and fostering training-based capacity development aid, Yayasan can help villages with sustainable development and lift living standards. Such approaches assist villagers in escaping the poverty trap, enhance community resilience, stimulate economic activity, and contribute to a more just and advanced society (Budiharto & Sismarwoto, 2020). Through the instrument of Islamic social finance, Yayasan aids community empowerment and sustainable development, which helps improve social welfare.

However, challenges persist. Decentralization efforts like Village Funds seek to empower villages. Inadequate coordination and, absence of planning, harmonization, and transparency, alongside deficient technical skills, constrain optimal use (Azid et al., 2022). This gap is the focus of this study, which examines a Sharia-based sustainability reporting framework for village asset management. This framework strengthens the social finance philanthropy paradigm and fosters accountability, transparency, community trust, and sustainable development.

## 2.3. Objectives include

- Evaluating the effectiveness of the model in sustainable development and planning.
- Formulating a Sharia-compliant reporting system for Sumberdodol Panekan.
- Offering practical strategies for village implementation.
- Providing unified development planning policy guidance.

Accomplishing these aims enhances the Islamic social finance, sustainable development, and village asset management domains. The model 'Sharia-based' aligns with the defined approach as it systematically overcomes challenges of inadequate technical capacity and encourages transparency as well as accountability (Wijayanti & Setiawan, 2023). The results of this study enable and equip policy makers, village governments, and BUMDES administrators with the requisite information to make decisions that will enhance the economic sustainability of the village and trust of the community.

The findings of this research would help advance Islamic social finance and sustainable development in the context of rural regions. It shall resolve some fundamental problems associated with village assets. It seeks to increase accountability and transparency, thereby increasing public trust to improve the livelihood of rural dwellers.

## 3. Methods

### 3.1. Study design and setting

The quantitative study described in this study evaluates the impact of a Sharia-compliant sustainability reporting model on the growth of Islamic social finance for sustainable development, together with village resource planning. The focus of the study is on the asset management of BUMDES (village-owned enterprises). The application of Sharia business theory (SET) in this study increases the importance of the village asset management dimension. This study aims to understand the adapted wealth management and sustainability reporting frameworks of the village of Sumberdodol to illustrate the role of the Sharia-based sustainability reporting model in Islamic social finance, sustainable development, and effective village resource planning.

### 3.2. Questionnaire design

The questionnaire was developed based on existing Sharia accounting frameworks and sustainability reporting models, particularly those aligned with Islamic Social Finance principles and Sharia Enterprise Theory (SET). The design followed a structured format divided into five thematic sections:

- 1) Organizational Profile (roles, structure, years in service).
- 2) Sharia Compliance Indicators (prohibition of riba, presence of Sharia Supervisory Board).
- 3) Sustainability Reporting Practices (environmental/social disclosures, financial transparency).
- 4) Asset Management Efficiency (planning, tracking, evaluation mechanisms).
- 5) Perceived Community Impact (improvements in trust, welfare, participation).

Each section consisted of Likert-scale items (1 = strongly disagree to 5 = strongly agree), multiple-choice diagnostics, and two open-ended prompts per section. The instrument was pilot-tested with three BUMDES administrators in neighbouring villages to ensure clarity and contextual relevance. Revisions were made to improve cultural and operational applicability before full deployment in Sumberdodol.

### 3.3. Data collection

The entire BUMDES administration in the village of Sumberdodol formed a research team for this study. The data collection was carried out over a period of six months using structured interviews and standardized questionnaires checked by relevant researchers. The approach of this study was sequential, with the first phase involving conducting surveys followed by interviews to collect both quantitative and qualitative data. BUMDES Income and Expenses Asset Management Practices Compliance with Sharia law In-depth analysis of BUMDES financial reporting documents from different perspectives to assess integrated financial performance in terms of data analysis, descriptive statistics focused on the efficiency of asset use. While this approach was adopted in the village of Sumberdodol, it provided clarity on the extent to which sustainability reporting within the Sharia framework promotes Islamic social financing, sustainable development, and village resource planning.

### 3.4. Sample design

In this case, a target sample was used to obtain a sample of 30 respondents from the population of BUMDES leaders in the village of Sumberdodol. This method was appropriate given that respondents were aware of the objectives of the survey and its focus on sustainability reporting in the Sharia context. The sample included: - Village Elder - BUMDES managers - Financial officers. According to this sample size was appropriate to provide detailed perspectives on the contribution of sustainability reporting to Islamic social finance, sustainable development, and strategic planning of village resources within the Sharia framework. In addition, proactive contact with participants played an important role in increasing response rates and thus the credibility of results.

### 3.5. Data analysis

The review process emphasized compliance with the Federal Reserve's policy and assessed the efficiency of the use of assets. The evaluation strategy included the following activities: Calculation of revenue, which included operating income and non-operating income. Calculation of costs, which included both operating costs and non-operating costs. Graphical representations and diagrams were used in conjunction with drawings to help interpret the data and reveal critical areas that needed attention. Strategic planners were presented with strong evidence for implementing policies to improve sustainable development, Islamic social finance, and village resource planning. This quantitative analysis provided important insights into BUMDES' financial performance.

### 3.6. Data validation and reliability

This study specifically focused on using robust frameworks to ensure the accuracy and integrity of the information received. The control steps included alloyed validation by data triangulation and a comparative analysis of the following substances: 1. Results of the study, 2. Interview Answers 3. Financial documents

Data Triangulation Process Triangulation was conducted using a convergent mixed-methods approach to enhance result credibility. Three data sources were cross-validated:

- 1) Quantitative survey results from 30 respondents,
- 2) Qualitative responses from in-depth interviews with 10 key informants (including village leaders, BUMDES managers, and financial officers)
- 3) Document analysis of BUMDES financial reports and sustainability disclosures from 2022–2024.

Coding matrices were developed to align themes emerging from interviews with quantitative dimensions (accountability, transparency, asset utilization). Any discrepancies were reconciled by follow-up interviews with informants. This triangulated strategy ensured the findings reflected both numerical performance and contextual interpretation grounded in real-world practice.

This methodology promoted reliability by ensuring the accuracy and consistency of different data sets. In addition, the reliability of research tools was assessed to measure reliability. Throughout the investigation process, the principles of accountability and transparency were followed. Such principles support the accuracy, consistency, and reliability of the survey results, which contribute significantly to the improvement of BUMDES asset management in Summerwood Village. The comprehensive methodology used in this investigation confirms the conclusions in terms of both validity and relevance.

## 4. Results

Based on the information reported in the financial statements of BUMDES Desa Summerwood, the total revenue amounts to Rp 497,205,310.00, signifying positive economic performance. The Admin/PPOB Unit has contributed to 72% of total revenue. Revenue performance aside, the organization also seems to have effectively managed its costs, as operating expenses are only 53% of total revenue. The largest single expense category was employee remuneration, which accounted for 24% of total expenditures.

Other significant costs include household expenses, operating wages, and other associated costs. From the financial analysis, there has been effective financial management at BUMDES Desa Summerwood in line with Sharia Enterprise Theory, and in a manner that is transparent and accountable. This has enhanced the community welfare and sustainable economic development of the village.

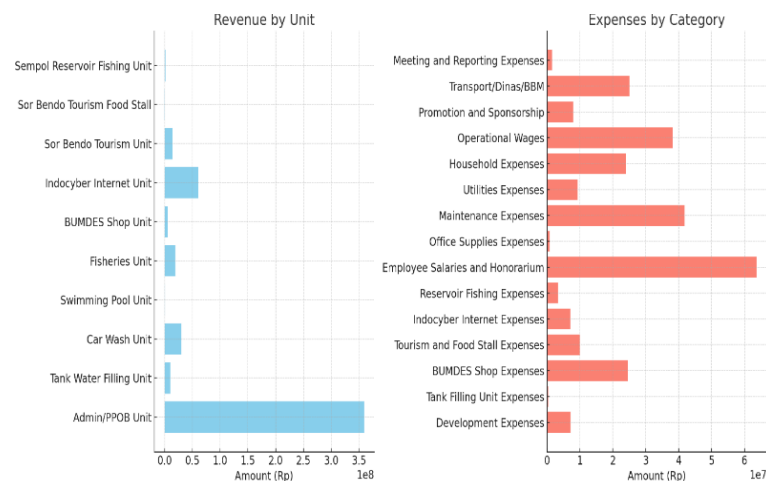


Fig. 1: The Disparity in Revenue Generation Across Different Units.

Figure 1 illustrates the variance in income produced by each operational unit within BUMDES Sumberdodol. It highlights that while the Admin/PPOB unit contributes a substantial portion (72%) of total revenue, other units, such as the Sor Bendo food stall, report significant underperformance or even negative returns. This visual comparison helps identify revenue concentration, operational gaps, and potential areas for intervention and strategic investment.

These findings will aid BUMDES in enhancing its sustainability practices as well as its social responsibilities and strategic planning. The business is efficient in terms of identifying problems and rectifying its expenditure and revenue control systems in revenue and spending. BUMDES can ensure that its social fund management systems comply with the Sharia law and benefit its community. The financial data visualization indicates that there are other units whose revenue generation is highly divergent. Yet, the revenue from the tourism food stall was negative, which indicates the existence of inefficiencies that need further analysis. Following the Sharia Enterprise Theory principles, the company's net profit of Rp 178,430,201.00 was achieved by capturing non-operating income and expenses.

A part of the profits from BUMDES is used for social projects and community development activities, thus showcasing the company's commitment to social responsibility. As stated in the report, visual data aids in identifying specific areas that require strategic planning as well as providing information concerning the financial performance of the organization. As the report indicates, BUMDES has successfully closed the gaps identified in the asset management systems and enhanced the trust of the community. Moreover, even the less profitable units displayed strong net profits because of efficient management of revenues and expenditures. Additionally, the findings indicated that BUMDES achieved local resource economic sustainability. This is also shown by the Admin/PPOB unit that had the highest revenue contribution, which also proves BUMDES' ability to identify productive business segments and commercialize them, aligning with the resource-based view (RBV) theory. In overcoming the problems posed by the intricate management of the Village Fund, as well as insufficient skills in financial reporting, planning, and budgeting, BUMDES has made considerable progress. On the downside, the firm has a lot to improve in its provision of accountable and transparent financial documents.

The literature underscoring community empowerment initiatives and social activities brings to focus the need to lessen the technology gap and improve training funding. Application of the Sharia Enterprise Theory to the management of village assets has improved operational productivity while reducing the risk of fund misallocation.

It is imperative that Village Governments and BUMDES enhance the planning and coordination at the district level, expand the local and full adoption of resource systems, thoroughly operate Sharia laws, and advance technical capacity through training. Deployment of these fundamental strategies can empower stakeholders to address existing hurdles while enabling villages to realize optimal community welfare and sustainable economic growth.

#### 4.1. Adoption of Sharia-based sustainability reporting model in Sumberdodol village

To enhance Islamic social finance, village asset management, and sustainability, Summerwood Village should adopt a Sharia sustainability reporting model. To achieve this, a Sharia compliance board shall be established to oversee accurate implementation. The board shall ensure that compliance with Sharia law is upheld in the reporting model.

Sharia-based sustainability reporting frameworks are being upgraded to capture the varying needs of BUMDES. This framework details the specific criteria and processes needed to evaluate performance in sustainability, which include metrics and indicators, as well as reporting ex-ante conditionalities. Attention to training and capacity-building frameworks tailored to the needs of the institution will accompany the implementation of the Sharia-based sustainability reporting model. In order to achieve uniformity in reporting, BUMDES is adopting a Sharia-based sustainability reporting model within the Wasatch reporting framework. Compliance to Islamic doctrine, as well as adherence to the reporting framework, is verified through audits and investigations conducted on a routine basis. To bolster accountability and transparency, as well as strengthen these principles, regular reports and disclosures will be issued to stakeholders, including the community at large. There are goals specific to the effectiveness of the Sharia sustainability reporting model that are monitored and analyzed which describe as correcting and refining. Advancement of stakeholders, sustainable development, Islamic social financing, asset-based village strategic planning, enhanced transparency, and accountability are other objectives. Through these Sharia principles, BUMDES can enhance the welfare of the community while supporting sustainable development in the area.

#### 4.2. Strengthening Islamic social finance for sustainable development and management of village assets

To enable self-sustaining development and appropriate planning of village assets, Islamic social finance needs to be enhanced. It employs a distinctive financial model rooted in Sharia that manages assets. Sustainable development can be drawn from meeting the needs of the villages, the principles of Islamic social finance, and the creation of financial products and services in alignment with BUMDES. The establishment of an Islamic social finance institution at the village level can enhance financing and asset management at the village level. Implementation of Sharia-based concepts of accounting sustainability creates effective governance and sound reporting systems, thus

enabling accountability and transparency among stakeholders, which builds support for Islamic social finance initiatives. Moreover, community participation in asset management and planning is vital to ensure that developments reflect local values and needs. Programs and instruction in Islamic finance and wealth management enhance community capacities and knowledge. Support from Islamic financial institutions and other allied bodies can be invaluable. Concurrently, active participation of BUMDES can bring about sustainable development, improved well-being of community members, and better planned village spaces.

Certain issues need to be addressed before BUMDES develops a model of sustainability reporting based on Sharia principles. The most acute problem is that the BUMDES administrators and other relevant actors lack the requisite knowledge and skills that are crucial for developing Sharia-compliant sustainability reports. About the reporting model, knowledge gaps must be addressed through capacity-building and training programmes. Another issue relates to an inadequate supply of village-targeted financial products and services that are Sharia-compliant. BUMDES is likely to face challenges in locating Sharia-compliant investment and financing options. Furthermore, appropriate funding and support mechanisms are critical for the effective and comprehensive implementation of the reporting model. Overcoming the inertia of stakeholders used to traditional reporting poses another challenge. Stakeholder engagement and advocacy will be fundamental in the rollout of the new reporting structure. Particularly difficult is the quantification of the non-financial aspects of sustainability performance, which may require the development of new metrics and indicators. Complicating matters are potential conflicts between Sharia law that need to be addressed and existing regulatory frameworks.

### 4.3. Evaluating the financial performance of BUMDES

The financial performance of BUMDES Desa Summerwood revealed a remarkable total revenue of Rp497,205,310.00. The administrative unit/PPOB unit contributed most significantly to this revenue stream by receiving 359,395,000.00 Rp. This unit's contribution is probably owing to its involvement in social and service processes. BUMDES Desa Summerwood incurred expenses of Rp 264,843,650.00, which includes the household salary expenses of operating, employee, and royalties (Blanc et al., 2017). Even with these expenses, BUMDES' net profits were 178,430,201, demonstrating effective resource financial management capabilities. The aspects of Sharia governance are several in number. Specifically, the layered introduction of Sharia principles into the management of finance helps in ensuring transparency and accountability while reducing asset misuse. Thus, overall, the reliance on a singular source of income improves efficient governing use financial resources. Primarily, this highlights the extent BUMDES can sustain net profit while illustrating additional income available to subsidize development endeavors. Extra income enables social initiatives.

According to the additional information, Rowe Sharia has developed an efficient reporting system that assists the company in remaining financially stable. In addition, it attributes important Sharia reporting methods as primary factors of self-discipline within the firm. With all this considered, it would be possible for BUMDES112 to meet the objectives defined pertaining to the socio-economic growth of the village and its surrounding areas. Based on the data, BUM BUMDES Desa Summerwood's net profit, along with the total revenue of Rupiah 497,205,310.00, indicates positive and trustworthy financial performance. Harymawan et al. (2022) forecasted growth for 2022 at 20,000. The net profit that was achieved supports the community's long-term economic self-sufficiency and the development objectives that were outlined previously.

### 4.4. Operational efficiency of assets

Survey findings indicate that BUMDES has achieved profitability on assets employed. The management and the PPOB unit have also aided in this efficiency by achieving considerable revenue through streaming services. Conversely, one of the assessments brings up the issue of the revenue of the Sor Bendo tourist food stall, which has been posting losses, meaning that there is some operational inefficiency. Moreover, the identification of the problem calls for further focus so that suitable actions can be taken to change the identified improper work. The persistent losses recorded by the Sor Bendo food stall represent a salient case of operational inefficiency within the broader BUMDES portfolio. This inefficiency, despite overall financial profitability, highlights micro-level managerial constraints that compromise the sustainability of unit-specific ventures. A root cause analysis suggests several interlocking challenges:

- 1) Lack of market research and demand forecasting: Interviews indicated that the stall's offerings did not align with local dietary preferences or seasonal consumption patterns. This mismatch points to a failure in conducting market feasibility studies, resulting in low footfall and limited repeat customers.
- 2) Ineffective marketing and visibility: The stall suffers from poor signage, suboptimal location, and minimal promotional efforts. This lack of consumer engagement reflects weak strategic communication, a critical factor in microenterprise success within village economies.
- 3) Human capital misalignment: Observations and interviews revealed skill gaps among stall workers in food safety, customer service, and basic inventory management. These deficits contribute to wastage, poor customer experience, and ultimately, revenue leakage.
- 4) Cost overrun and supply chain inefficiencies: Supply costs were disproportionately high due to uncoordinated procurement and a lack of bulk buying strategies, reducing profit margins substantially.

The efficient utilization of the assets of BUMDES stems from many reasons. First, the most important thing is that the company has a grasp of its resources and potential revenues. In addition, BUMDES has put in place a good policy in asset management, which ensures that resources are well managed and utilized. Finally, the organization tries to control expenses so that revenue can be maximized and waste minimized. That said, several reasons have contributed to the decline in revenue, which were previously mentioned, in addition to: unappealing management, marketing myopia, or a general drop in customer interest. Identifying the underlying problem would demand restructuring to devise a valid plan of action to suitably address the matter.

### 4.5. Theoretical integration

These findings are consistent with the Resource-Based View (RBV) theory, which posits that organizational performance depends on the optimal deployment of internal resources and capabilities. In this case, the Sor Bendo stall's underperformance stems from an inability to leverage valuable, rare, inimitable, and non-substitutable (VRIN) resources, particularly skilled labor, operational know-how, and adaptive marketing practices.

Further, Agency Theory offers insight into principal-agent issues within decentralized BUMDES governance. The lack of oversight, performance incentives, and clear accountability mechanisms between village authorities (principals) and unit managers (agents) likely exacerbates inefficiencies and moral hazard in operations like Sor Bendo.

From a behavioral economics standpoint, cognitive biases such as status quo bias and over-optimism may have contributed to maintaining the food stall despite early warning signs of underperformance. Such inertia reflects decision-making failures not uncommon in public or semi-cooperative enterprises.

To address these root causes and align operations with strategic goals, the following interventions are recommended:

- **Micro-Market Research:** Conduct localized surveys to realign menu offerings with community tastes and seasonal demand.
- **Capacity Building:** Implement targeted training in food hygiene, hospitality, and small business management for frontline staff.
- **Marketing Overhaul:** Launch community-based promotions, improve signage, and integrate digital platforms (WhatsApp business menus).
- **Supply Chain Optimization:** Establish collective procurement strategies across BUMDES units to reduce input costs via economies of scale.
- **Performance-Based Incentives:** Introduce profit-sharing schemes or performance bonuses to align staff motivation with profitability goals.
- **Periodic Profitability Audits:** Implement bi-annual assessments for all units, using a balanced scorecard approach to track financial, customer, internal, and learning metrics.

To improve the productivity of their assets, BUMDES may implement a few strategies. As described in a study on audits, some ineffective processes can be streamlined during an asset audit (Van Der Waal et al., 2020). BUMDES employees also benefit from attending workshops, which enhance their skills and knowledge. The company further has the potential to reduce its overreliance on lagging assets by diversifying into new lines of business and additional income streams. In summary, BUMDES demonstrated efficient utilization of its assets. Still, the negative revenue from the tourist food kiosk suggests the need for further investigation and corrective action. Financial and operational performance can be achieved by strategically addressing gaps related to asset inefficiencies.

#### 4.6. Compliant Sharia as pertains to financial statements

Smart reporting frameworks have demonstrated that BUMDES is committed to Sharia compliance by practicing accountability and transparency in business operations, which reinforces Sharia governance, illustrating the embracement of its core values through the organizational structure. Such principles are evidenced in the BUMDES financial statements, which are prepared in compliance with Sharia accounting standards and embody the principles of Sharia law.

A crucial aspect of financial reporting compliance with Sharia law is the prohibition on interest (riba). BUMDES complies with the principles of Sharia finance since all transactions constitute riba-free funding with no interests or charges. Islamic compliance, BUMDES, also follows Islamic principles, which require high levels of disclosure and transparency. In this regard, BUMDES maintains the complete and accurate representation of all financial information, which includes the disclosure of all assets, liabilities, and financial transactions (Farooq & De Villiers, 2018). Moreover, BUMDES has taken steps to ensure that there is no maysir (gambling) or gharar (uncertainty) in the financial statements, and all transactions have been done factually without any speculative or vague components. For these preconditions, BUMDES is granted some benefits. Firstly, the transactions from the perspective of Islamic banking Sharia are moral and ethical businesses. Also, the level of accountability and transparency in Sharia compliance reporting is enhanced. Ultimately, it helps to strengthen the organization's reputation and enhance organizational integrity. BUMDES has demonstrated compliance with Sharia requirements in financial reporting. The company is operating under Islamic rules; therefore, its transactions are conducted in compliance with the law, are accountable, transparent, equitable, and lawful. Such adherence is critical to maintaining trust and confidence from the stakeholders and the organization's sustainability and growth trajectory.

#### 4.7. Effectiveness of the sharia-based sustainability reporting model

To enhance community trust and participation as well as further strengthen the village's economic sustainability, BUMDES has implemented a Sharia-compliant model of reporting on sustainability. Adhering to the Sharia model of principles, which emphasizes transparency, accountability, and equality, has strengthened community members' trust. Moreover, the environment and social focus of the model has galvanized community interest toward BUMDES activities, thus fostering community responsibility and ownership. As such, the village has attained economic sustainability, which has boosted the regional economy while also decreasing reliance on external funds. Furthermore, the reporting model used by Sharia ensures that all activities of the organization address community expectations and needs. This permissive aspect has enabled BUMDES to identify gaps in operational performance and provided corrective measures. These changes produced more favorable results and optimized resource utilization. Also, this model centers BUMDES toward greater focus on the future. Consequently, BUMDES is directing efforts toward shifting the emphasis to long-term sustainability and responsible decision-making. Community engagement and trust have improved greatly due to the Sharia-compliant sustainability reporting model. This model supports BUMDES to align their operations toward creating ease and advantage to the community by fostering transparency alongside social and environmental responsibility. This project has fostered a sense of community belonging and communal awareness among people. It has helped the organization better achieve its objectives of promoting the sustainable development of the village.

#### 4.8. The impact on Islamic social finance

The application of Sharia rules on the financial management of BUMDES has greatly advanced Islamic social finance. Adherence to Sharia compliance greatly mitigates the risks of fund misallocations and enhances the accountability and transparency of resource utilization in BUMDES. Due to the strong compliance with Sharia regulations, BUMDES has been able to enhance resource allocation and financial management. This also means increased efficiency of the system, which results in cost savings, reduced waste, and minimized risks of mismanagement and poor financial control. The application of Sharia rules ensures equality and fairness in financial dealings. Thus, community members, donors, and investors as stakeholders now trust and have faith in BUMDES' fund management and control. Another sign indicative of the proactive impact on Islamic social finance is that BUMDES can solicit funds from Sharia-compliant philanthropists and Islamic financial bodies. Such funding will assist in solidifying the community development programs of BUMDES.

Moreover, other Islamic social finance institutions disdain BUMDES because the latter sets standards that illustrate the lack of ethical and moral consideration in financial governance. This has been beneficial for the entire industry of Islamic social finance. The application of Sharia guidelines has increased the social financing of Islam by reducing the possible misappropriation of funds, streamlining operations, and ensuring fairness in financial dealings (Yáñez et al., 2018). In this manner, BUMDES is positioned to attain its community development objectives alongside the advancing growth and sustainability of Islamic social finance.

## 4.9. Contribution to sustainable development

The advancement of the village towards sustainable development is exemplified by BUMDES's support of community self-help programs as well as the utilization of their available resources. Attainment of self-sufficiency by BUMDES using local resources minimizes reliance on external funding. The community empowerment initiatives implemented by BUMDES have enhanced community collaborations and improved social relationships. Community involvement in the development processes has led to increased efficiency and sustainability of the outcomes. Moreover, preservation of resources and activities that encourage environmentally friendly practices has been established. These efforts have enabled the village to achieve a long-term balance between development and environmental protection. Moreover, BUMDES's commitment to sustainable development has aided the achievement of social cohesion alongside greater inclusion. Sustainable development hinges on equitable opportunity and resource distribution, purportedly with strategies devised to work towards these objectives. The emphasized Social SDGs have defined critical outcomes focused on the provision of economic participation, healthcare, and education to community members. The positive outcomes from socially sustainable development have been enhanced by the designed programs geared towards fostering protective and proactive measures towards the natural resources of the village. BUMDES has achieved a positive effect on sustainable development by utilizing local resources as well as implementing community development projects. Moreover, BUMDES participated completely in sustainable development by integrating social equity, protection of nature, and holistic village advancement.

## 4.10. Impact on the planning of village assets

As noted in BUMDES's study regarding financial administration, effective financial administration enhances operational productivity and achievement of the sustainability goals, which are empirically validated from the study. With regards to village leaders, they can make sure that assets can be apportioned and conserved from waste or misallocation, which improves resources value. Well-prepared financial plans help managers arrive at the desired optimal situation and control threats that have already been identified. The sustainable balance of assets improves village sustainability, while proactive measures help address risks of mismanagement of assets. Granting village officials the right to track the performance of assets, identify areas requiring attention, and apply tight control over expenditures reinforces accountability and transparency and guarantees good and sustainable governance of the assets. The proper allocation of village assets requires integration of Sharia frameworks into financial management because it reflects the needs and aspirations of the community. This will further optimize the planning of the village's assets and promote equity, impartiality, and openness. According to research, financial planning influences operational efficiency, sustainability, accountability, and transparency. Compliance with financial plans and adherence to Sharia guidelines enables effective village asset management that bolsters alignment with community values through sustainability and efficiency.

### 4.10.1. Relation to other sustainable reporting models

Traditional sustainability reporting models often lack governance and social responsibility. The BUMDES Sharia-based reporting model exhibited tremendous improvement compared to more conventional, unsustainable models. Unlike these models, which tend to rely on the economic and environmental pillars, this Sharia-based model broadens the scope to include social and governance dimensions. Its accountability and transparency focus in Sharia-based models is one of the numerous benefits. It has allowed BUMDES to enhance the accuracy and reliability of its financial information and reporting systems due to its strict Sharia compliance. This poses a problem with traditional models as they lack clear frameworks for holding companies accountable for their sustainability claims because of what is referred to as 'sustainability-upload-12 The Roman Model'. The Sharia model also places considerable emphasis on community involvement, which is crucial. BUMDES has ensured that its sustainability initiatives align with the expected relevance of the URL with OPTION's needs through collaboration with the A Rawal community. As with most other traditional models, these initiatives overlook community participation and thus may not address the community's most pressing challenges. Also, the Sharia model's social responsibility, as practiced, promotes the social impact of BUMDES's outreach activities while ensuring social justice is preserved. Social impacts of traditional models tend to be negative because those models focus exclusively on insolvency without considering the ensuing social impacts. BUMDES has been able to meet people's new Sharia-based model needs and expectations, unlike most conventional models, which do not respond or adapt to changes. The absence of traditional sustainability reporting models is a defect of traditional reporting models. This is why BUMDES has taken the lead in sustainability reporting and has been able to set the pace for other companies.

The review of the BUMDES sustainability reporting system indicates the presence of gaps that, if addressed, could enhance system efficiency. The implementation and training of BUMDES indicated a high level of commitment to sustainability. However, there is a need to improve technical capabilities, which can be achieved through the adoption of new systems, training approaches, and enhanced capabilities to collect, evaluate, and report sustainability data. Increasing financial resources for community empowerment initiatives is also important. While considerable progress has been made by BUMDES in community development, additional funding would further enhance the impact of community empowerment initiatives. Health, education and training, and economic empowerment programs can contribute to strengthening community resilience. Furthermore, BUMDES needs to strengthen processes for stakeholder engagement to enhance awareness and participation of all relevant actors in sustainability decisions. This would enhance stakeholder accountability, transparency, trust, and overall sustainability performance. Moreover, BUMDES should reduce overreliance on one key funding source by identifying other critical funding sources to ensure financial sustainability.

These can incorporate collaborations with private organizations, government entities, and overseas investors. In the end, BUMDES stands to gain from an impact assessment of its objectives. There have been and there are still ongoing initiatives that are aimed at achieving the set objectives, but BUMDES needs to refine its strategy so that it can plan better. By addressing these objectives, BUMDES will gain the trust of the community, which is critical for building unwavering community engagement.

The successful fostering of community trust and participation has improved the village's economic sustainability through a Sharia-based sustainability reporting model. To hone program efficiency, the following tactical recommendations are directed toward BUMDES administrators: 1. Strengthen planning harmonization and coordination at the regional level and ensure they align with the regional development objectives and resource utilization; advance collaboration with regional governance. 2. Optimize the role of local assets through the provision of local resource and skill development training. 3. Ensure integration of Sharia principles into all facets of BUMDES operations for compliance and consistency. 4. Reporting procedures shall be enhanced to ensure both timeliness and precision of all disclosed quantitative and qualitative information. 5. Actively empower participation by addressing and directly responding to the aspirations and needs of residents through implemented projects. 6. Broaden your organization's funding base by seeking commercial, governmental, or foreign

philanthropic partnerships. 7. Schedule periodic evaluations to ensure that climate-resilient community-centered initiatives are being addressed sustainably. By executing the strategic recommendations given and modifying the sustainability reporting framework, the BUM-DES administrators would be able to enhance and gradually adapt the Group's resilience over time.

## 5. Discussion

Reporting within the Sharia law parameters provides a good governance framework and concern for the environment, social issues, and sustainable development. Adopting Sharia principles makes it possible for a company to report on its social responsibility with ease in its sustainability report.

### 5.1. Effectiveness of the Sharia-based sustainability reporting model

The practices adopted in the Sharia-based sustainability reporting model are among the most significant sustainability reporting models. To begin with, it improves the accountability and transparency of the organization's sustainability activities pertaining to the stakeholders' information needs. The provision of ESG (environmental, social, and governance) pertinent information facilitates proper decision-making at all levels of the organization. In addition, the model provides a certain organization with the advantage of ease in Sharia application within the operations of the organization. The application of Sharia principles enables organizations to undertake their corporate obligations, which influence social responsibility, environmental protection, and sustainable development. This benefit helps the organization avoid financial losses and adverse publicity or damage to its reputation (Adawiyah et al., 2025). Lastly, the model supports enhanced corporate trust and Muslims' confidence in the economy as it displays commitment to sustainability and social responsibility. This is very important to stakeholders from Muslim countries who attach great importance to it.

Moreover, the Sharia model of sustainability reporting enhances an organization's compliance with Islamic finance principles, financial health, and holistic corporate performance. ESG risk management and the active promotion of sustainable development help to enhance productivity, reduce operating costs, and increase revenue. In turn, this leads to easier access in obtaining Sharia-compliant financing and greater investment opportunities. In summary, as noted by Suhatmi et al. (2024), embracing Islamic values makes organizations appreciate the significance of the Sharia sustainability reporting model, as it helps in earnest sustainable development, responsible corporate citizenship, and Sharia compliance. Further, the model bolsters governance, accountability, and transparency for Muslim-majority corporations and enhances trust from stakeholders while managing ESG risks, improving the firm's reputation and financial standing, and easing access to Sharia-compliant funds and investment opportunities.

Synthesis: Interfacing Sharia-Based Reporting with Broader Accounting and Economic Frameworks: The Sharia-based sustainability reporting model, while rooted in Islamic jurisprudence, aligns in principle with global sustainability discourses such as ESG (Environmental, Social, and Governance) and stakeholder theory, yet it diverges significantly in philosophical orientation and implementation scope. ESG frameworks emphasize the material impact of corporate actions on environmental degradation, social welfare, and governance integrity, often within a capital-market-centered perspective (Ramadhan et al., 2023). In contrast, Sharia-based reporting draws its ethical foundations from *maqasid al-shariah*, prioritizing equity, community well-being, and moral accountability over profit maximization.

Critically, while both models promote transparency and stakeholder engagement, stakeholder theory tends to treat stakeholders as negotiable participants whose interests must be balanced, whereas in the Sharia model, stakeholders are moral co-beneficiaries of wealth distribution and social justice obligations rather than options. For instance, ESG disclosures often remain voluntary or symbolic (Ningsih et al., 2023), whereas Sharia reporting mandates compliance through divine accountability, guided by the Sharia Supervisory Board.

Moreover, Sharia-based reporting includes unique financial instruments (*zakat*, *waqf*, *qardh hasan*) absent in conventional ESG frameworks, and integrates faith-driven stewardship in asset management, a component largely underdeveloped in Western stakeholder models. While ESG frameworks typically emphasize climate metrics and governance structures, Sharia reporting foregrounds moral integrity, distributive justice, and intergenerational equity, positioning social welfare not as a by-product of good business but as its primary goal (Afrizal et al., 2023). The integration of both paradigms offers promising hybrid frameworks. For example, several Islamic financial institutions in Malaysia and Indonesia are now aligning Sharia-based disclosures with ESG indices to access broader investment pools while maintaining religious legitimacy. This fusion reflects a growing recognition that Sharia-based models can enrich ESG frameworks by embedding faith-informed values, thus offering a more holistic model of sustainability rooted in moral economics.

### 5.2. Enhancement of Islamic social finance for sustainable development and strategic village asset planning

A model for the sustainable development and planning of village assets from the Islamic world offers an opportunity to enhance social finance through the unique Sharia-based sustainability reporting framework. With Islam, there is an effective, sustainable development and organization alignment with sustainable agendas, which translates into a responsible resource development throughout the society (Al-Daihani et al., 2025). The model generates social value by advancing social equity through the judicious allocation of development resources and inclusive participatory community engagement, social responsibility, accountability, environmental and ethical stewardship, and prudent governance of common-pool corporate village assets. Furthermore, through the implementation of a Sharia-based sustainability reporting framework, the villages can resolve pressing social and environmental issues like poverty, social inequity, and environmental degradation. Sustainability reporting bound by controlled Sharia law assists organizations in addressing challenges by framing solutions within the context of sustainable integration and operationalized, manageable structures. Through Sharia-compliant funding mechanisms and investment structures, organizations can raise the requisite funds to support development activities in the villages. This has the potential to raise living standards, stimulate local economic development, and create employment opportunities (Menne et al., 2022). This value was increased in 2022 to 20,000. We can assume that the Sharia sustainability reporting model will have a favorable impact on the advancement of Islamic social finance. From this model, organizations can augment global equity.

### 5.3. Suggestions for further development

#### 5.3.1. Formation of Sharia Advisory Board

Islamic advisory bodies must chair the advisory board on the development and implementation of Islamic social sustainability reporting frameworks (Haddad & Souissi, 2022). Specialists from the relevant Islamic financing, sustainability, and sustainability reporting entities should offer Sharia compliance consultancy.

#### 5.3.2. Provision of training programmes and capacity-building initiatives

There needs to be a proper model to achieve effectiveness, where components operate with clearly defined criteria. The education needed to acquire those essential skills to enable effective model performance will come from targeted education and capacity-building initiatives tailored to the electorate.

#### 5.3.3. Continuous monitoring and evaluation

The ongoing monitoring of the recommended activities, including active monitoring of key performance indicators, stakeholder polling, and evaluation of the sustainability reports, compiles continuous monitoring and evaluation that forecasts the model's optimal performance.

#### 5.3.4. Encouraging collaboration and knowledge sharing

This model aims to assist organizations in eliminating efforts duplication through compilation of best practices; developing a comprehensive strategy of uniform Sharia sustainability reporting is framed in a singular structure.

#### 5.3.5. Creation of sharia-compliant financial products and services

Designing financial services and products that adhere to Islamic laws will assist rural populations. Organizations will then be able to obtain capital and investment services as prescribed in Islamic laws.

#### 5.3.6. Promoting community involvement and participation

Active community participation is fundamental for planning and managing assets. To meet local community needs, companies can integrate socially responsible participatory governance frameworks aimed at sustainable development (Rong et al. 2023), which aids in decision-making. These proposals enrich the framework of Jan et al. (2023) to enhance Sharia-based sustainability reporting models. Proactive businesses advance social equity, justice by transcending charity and ecology and integrating societal dimensions.

The incorporation of Sharia principles into the sustainability reporting framework allows organizations to emphasize Islamic social responsibility, environmental stewardship, and sustainability development. It also enhances stakeholder engagement, accountability, trust, and transparency within organizational governance (Marzuki et al., 2023). From the financial analysis conducted, BUMDES Desa Sumberdodol shows variation in revenue generation by location that requires further analysis to understand the underlying causes of and develop strategies to overcome the disparities. Socially responsible and adept implementation of Sharia Enterprise Theory's principles can result in enduring success for BUMDES.

Achieving sustained economic growth alongside overcoming obstacles relies on strategic foresight and constant assessment. This study showcases how the responsible and transparent management of assets improves economic sustainability and the welfare of the community in Sumberdodol Village. Asset management optimization demonstrates Sharia-compliant principles. This study adds to the practical aspects of the Sharia Enterprise Theory on the management of village assets. These findings emphasize the need for substantial investments in training and IT systems while resolving issues regarding the planning and budgeting framework (Elmahgop et al., 2025). Despite the findings, the research has some limitations, including insufficient data that underscores the need for more inter-village comparative studies. Future research may explore the factors driving operational efficiency, as well as the role of IT and technical education in village financial administration. This has the potential to yield more profound understanding and novel solutions (Tahmasebi, 2023). The study focuses on how the Sharia-based sustainability reporting model works to improve accountability and transparency, improve stakeholder confidence and trust, manage governance, social and environmental risks, improve financial performance and stability, and provide access to funding and investment opportunities that comply with Sharia.

### 5.4. Implications for practice

Organizations can maximize the benefits of implementing the Sharia-based sustainability reporting model by creating a Sharia Advisory Board, offering training and capacity-building initiatives, regularly assessing the effectiveness of the model, encouraging cooperation and knowledge exchange, creating Sharia-compliant financial products and services, and encouraging community involvement and engagement.

### 5.5. Scaling and policy integration

Potential: The successful implementation of the Sharia-based sustainability reporting model in Sumberdodol offers a replicable framework that can be adapted for other villages across Indonesia. To ensure scalability, it is essential to tailor the model to local socio-cultural and economic contexts while maintaining the core principles of Sharia compliance, accountability, and transparency. Integration with Indonesia's Village Fund (Dana Desa) program presents a powerful opportunity to institutionalize this model within the national rural development strategy. By embedding Sharia-based reporting standards into Village Fund disbursement criteria, the government can enhance financial oversight, ensure more equitable resource allocation, and align community development initiatives with Islamic social finance principles (Permatasari et al., 2021). Additionally, collaboration with regional offices of the Ministry of Village Development, Development of Disadvantaged Regions, and Transmigration (Emends PDTT) can support the rollout of training, compliance audits, and digital infrastructure needed to support this model at scale. Such integration could increase public trust, improve fund absorption rates, and foster inclusive, sustainable growth in rural Indonesia.

## 5.6. Implications for future research

Investigative efforts may examine the implementation of the Sharia sustainability reporting model in different sectors and settings, the influence of financial products and services that comply with Sharia law on sustainable development, the role of community involvement and engagement in asset planning and management, and the development of new Sharia-compliant sustainability reporting frameworks and instruments. Businesses can help to create a more just and sustainable future that is consistent with Islamic ideals by adopting the Sharia-based sustainability reporting model.

## Conflict of interest

The author declares that there is no Conflict of Interest.

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