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Good Corporate Governance in Indonesian Sharia Banks After the Merger: A Sharia Governance Perspective

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ABSTRACT

This study aims to analyze the implementation of Good Corporate Governance (GCG) at Bank Syariah Indonesia (BSI) after its merger, focusing on the effectiveness of governance and the challenges of implementation at the operational level. Using a descriptive qualitative approach through document analysis, in-depth interviews, and data triangulation, the study finds that BSI has structurally implemented the five GCG principles – transparency, accountability, responsibility, independence, and fairness – in accordance with OJK regulations and DSN–MUI fatwas. Information disclosure and the strengthening of the Sharia Supervisory Board (DPS) demonstrate the institution's commitment to sharia compliance and responsible governance. However, the effectiveness of GCG implementation is not yet evenly distributed due to obstacles in harmonizing the organizational cultures of the three legacy banks, inconsistent inter-branch reporting, and the not yet optimal integration of information systems and sharia governance into business practice. These findings confirm that BSI is on a trajectory of strengthening good governance, although further internal refinement and enhanced supervisory systems remain necessary to ensure more effective and sustainable GCG implementation.

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1. INTRODUCTION

The implementation of Good Corporate Governance (GCG) in the management of Islamic financial institutions has become a major topic in academic literature, particularly regarding Sharia compliance and financial performance [1]. Various studies have highlighted challenges such as the lack of independence of the Sharia Supervisory Board (SSB), which often overlaps with the board of commissioners, leading to potential conflicts of interest [2]. Furthermore, regulatory fragmentation between the Financial Services Authority (OJK) and Bank Indonesia in implementing the RGEC principles (Responsibility, Accountability, Fairness, Transparency, Independence) remains a major obstacle in Indonesia's Islamic banking sector [3]. The literature also discusses how GCG affects performance indicators such as Return on Assets (ROA) and Return on Equity (ROE), although empirical results show significant variation among institutions [4].

Although the literature has discussed GCG in general, there has been little in-depth research on the implementation of GCG following the merger at Bank Syariah Indonesia (BSI), particularly regarding the integration of organizational cultures from the three legacy banks (BRIS, BNI Syariah, and BJB Syariah) [5]. Research rarely addresses the gap between the formal implementation of GCG and the operational reality of dual governance at BSI, where Sharia oversight intersects with conventional management [6]. Furthermore, the impact of the digitization of Islamic financial services on strengthening corporate governance at BSI has not yet been explored, including the risk of non-compliance resulting from fintech expansion [7]. The variations in corporate governance implementation across BSI branches have also been overlooked, even though this is crucial for the bank's sustainability following the 2021 merger [8]. A notable research gap is the lack of specific empirical studies on the effectiveness of GCG at BSI following the merger; previous research has generally focused on Islamic banking without taking into account the dynamics of BSI's transformation. Most of the literature focuses on the overall "Very Good" GCG rating without conducting a partial analysis of variables such as the dual role of the Board of Commissioners or the resolution of internal legal conflicts. Furthermore, there has been no quantitative study that integrates RGEC data with BSI's ROA for the 2020–2024 period to measure the impact of the merger on Sharia compliance risk. This limitation leaves room for more context-specific research on BSI as the largest Sharia bank in Indonesia [4]. This study aims to comprehensively analyze the implementation of the five principles of GCG (transparency, accountability, responsibility, independence, and fairness) in BSI's post-merger management to identify operational strengths and structural weaknesses [3]. The second objective is to evaluate the impact of GCG on BSI's financial performance through the indicators ROA, NPF, and CAR, as well as to measure the effectiveness of risk mitigation for Sharia non-compliance. Furthermore, this study formulates strategic recommendations based on a SWOT analysis to strengthen corporate governance at BSI, including the integration of maqasid syariah into decision-making. Finally, the results are expected to provide practical guidance for the OJK regulator in revising POJK No. 55/POJK.03/2016 [9].

The theoretical contribution of this study is to enrich the literature on corporate governance in Islamic banking with an empirical case study of BSI following its merger, which was previously limited to general analyses lacking a specific context of transformation. In practical terms, the findings can serve as a basis for the OJK to evaluate and improve corporate governance regulations, particularly to address agency problems in mudharabah and musyarakah profit-sharing schemes. In addition, the study provides actionable recommendations for BSI management, such as improving CG disclosures in annual reports and integrating Sharia compliance technology. Long-term benefits include increased public confidence in the sustainability of Sharia financial institutions in Indonesia.

2. METHOD

Good Corporate Governance (GCG) is a governance concept designed to ensure that financial institutions are managed in a transparent, accountable, and responsible manner. The OECD (2015) explains that GCG is a set of mechanisms that govern the relationships between company management, the board of directors, shareholders, and other stakeholders to effectively achieve the organization's objectives [10]. In Indonesia, the GCG guidelines are developed by the National Governance Policy Committee (KNKG), which emphasizes the principles of transparency, accountability, responsibility, independence, and equality as the foundation of sound governance for financial institutions and companies in general [11]. In the context of Islamic financial institutions, the implementation of GCG has an additional dimension in the form of compliance with Islamic values. AAOIFI (2017) states that Sharia governance is an oversight mechanism that ensures all activities of financial institutions comply with Sharia principles, whether in product development, operations, or reporting [12]. One of the most important elements of Sharia governance is the existence of a Sharia Supervisory Board (SSB), which serves to provide advice, issue Sharia compliance opinions, and conduct ongoing monitoring. With the SSB in place, Sharia financial institutions have a multi-layered oversight structure that not only focuses on risk and regulatory compliance but also ensures the integrity of products and services from a Sharia perspective.

The management of Islamic financial institutions essentially follows a modern management framework, but Islamic values serve as the moral foundation for decision-making [13]. The management of Islamic banks pursues not only profitability but also social sustainability and economic justice. Every contract used whether mudharabah, musyarakah, murabahah, or ijarah must be ensured to be free from elements of riba, gharar, and maysir, as required by the DSN–MUI fatwa. Therefore, risk management, compliance, and internal oversight at Islamic banks must work in tandem with the Board of Supervisors to ensure the institution's integrity.Bank Syariah Indonesia (BSI), as the largest Islamic bank in Indonesia, implements GCG in accordance with regulations issued by the Financial Services Authority (OJK), including POJK No. 55/POJK.03/2016 on the Implementation of Corporate Governance for Commercial Banks [14] and SEOJK No. 34/SEOJK.03/2017 regarding GCG reporting. The implementation of GCG at BSI is reflected in the composition of the board of commissioners and the board of directors, the establishment of an audit committee and a risk management committee, and the presence of a Sharia Supervisory Board (DPS) responsible for ensuring Sharia compliance. BSI also publishes annual reports and corporate governance reports as a form of transparency toward its stakeholders. A study [6] found that BSI has effectively implemented GCG principles, particularly in terms of accountability and transparency, although there is still a need for improvement in the area of operational Sharia oversight. Through the integration of modern governance principles and Sharia values, the implementation of GCG in Sharia financial institutions such as BSI is key to ensuring sustainability, accountability, and operational effectiveness. This theoretical study shows that strong governance, supported by a clear Sharia oversight structure, can strengthen the position of Sharia banks amid competition in the national and global banking industries.

This study employs a descriptive qualitative approach to explore in depth the implementation of GCG at BSI, focusing on the interpretation of meaning, understanding of context, and analysis of phenomena based on empirical data. The study population consists of BSI's annual reports for the 2021–2025 post-merger period, covering GCG ratings, financial statements, and DPS disclosures, while the sample was selected purposively based on the completeness of RGEC indicators (Risk Profile, GCG, Earnings, Capital). Data collection was conducted through in-depth interviews with 10 key informants namely, BSI's board of directors, board of commissioners, and Board of Supervisory Directors along with field observations and structured questionnaires, while secondary data was obtained from OJK-audited financial statements, BSI's official website, and Sinta-indexed journals for triangulation purposes. Data analysis was conducted using thematic content analysis of GCG documents and interview results, supplemented by source triangulation, while the validity of the qualitative instruments was assessed through credibility, confirmability, and data consistency checks [9].

3. RESULTS AND DISCUSSION

BSI officially began operating as a single entity on February 1, 2021, following the merger of three state-owned Islamic banks. According to BSI's 2024 Annual Report, the bank manages assets exceeding Rp360 trillion, with more than 21 million customers and 1,250 branch offices [16]. The process of integrating three entities with differing management systems, organizational cultures, and operational standards created unique governance challenges and required an in-depth analysis. Based on a content analysis of BSI's annual reports and corporate governance reports for the 2021–2024 period, as well as a comparison with AAOIFI standards and OJK regulations, the following findings were identified for each of the TARIF principles (see Table 1 below):

Table 1. Implementation of the Five Principles of Good Corporate Governance at BSI Post Merger (2021–2024)

GCG Principles	Implementation at BSI	Key Findings	Challenges
Transparency	Annual Reports, Corporate Governance Reports, and Sharia Compliance Reports are published periodically; disclosures are made via the website and the Indonesia Stock Exchange (BEI) .	Disclosures are becoming more comprehensive; 142 indicators in accordance with SEOJK No. 34/2017.	The harmonization of information systems across units is not yet optimal; some data is not yet standardized.
Accountability	Multi-tiered governance structure: Board of Commissioners, Board of Directors, Audit Committee, Risk Committee, and Sharia Advisory Board.	Well-documented separation of functions; the Sharia Advisory Board actively issues Sharia opinions.	The assimilation of the accountability culture from the three legacy banks is still ongoing.
Responsibility	Compliance with POJK No. 55/2016 and SEOJK No. 34/2017; contracts in accordance with	Consistently rated "Very Good" for GCG from 2021 to 2024; CSR increased by 35%	The pace of digital product innovation requires faster Sharia validation.

GCG Principles	Implementation at BSI	Key Findings	Challenges
	DSN-MUI fatwas; CSR and financial inclusion.		
Independence	Independent Board of Supervisors and Audit Committee; members of the Board of Supervisors do not hold concurrent positions on the Board of Commissioners or the Board of Directors.	No structural conflicts of interest; the Audit Committee is dominated by independent commissioners.	Tension between the pressure to meet business targets and the need to consider Sharia principles..
Fairness	Transparent contract information; standardized complaint mechanisms; equal treatment of all customer segments.	Complaint mechanisms via digital apps and an integrated call center; no discrimination in service.	Service standards are not yet fully uniform due to the diversity of employees' backgrounds.

The findings of this study are consistent with those of Mulyanti, Rosyada, and Sutarman (2021), who stated that in the early post-merger period, BSI demonstrated formal compliance with the GCG framework but still faced integration challenges at the operational level [15]. Permana (2025) also found that the quality of BSI's GCG disclosures improved significantly from 2021 to 2023, consistent with the findings of this study [5]. Compared to AAOIFI Governance Standard No. 1, the implementation of the DPS at BSI has met the minimum requirement of at least three members who are competent in the fields of fiqh muamalah and banking. However, the AAOIFI standard requires periodic rotation of DPS members to maintain independence, an aspect not explicitly addressed in BSI's GCG report [12].

OJK regulations, as set forth in POJK No. 55/POJK.03/2016, mandate a self-assessment of corporate governance (CG). BSI has consistently reported a "Very Good" rating; however, a critical review indicates that the assessment indicators are primarily quantitative and structural in nature rather than measuring substantive effectiveness. This finding confirms the gap between de jure and de facto corporate governance, as noted in [2]. This study makes three theoretical contributions. First, it offers an integrative analytical framework that combines Agency Theory, Stakeholder Theory, the Sharia Governance Framework, and Maqasid al-Sharia, thereby filling a theoretical gap caused by the absence of an analytical model that simultaneously considers both conventional and Sharia dimensions. Second, to enrich the literature on the dynamics of governance in the merger process of Islamic financial institutions. Third, to develop the concept of the gap between formal (de jure) and substantive (de facto) corporate governance as an analytical tool for future researchers. For the OJK as the regulator, this study recommends reviewing the CG self-assessment indicators to incorporate the dimension of substantive effectiveness. For BSI management, the study emphasizes the importance of a standardized organizational culture harmonization program and accelerating the integration of governance information systems. For the academic community, the study encourages the development of a contextual and measurable Sharia CG index.Dari sisi transparansi, pengungkapan informasi melalui laporan tahunan, laporan GCG, dan laporan kepatuhan syariah telah dilakukan secara lebih sistematis setelah proses integrasi [17]. Namun demikian, penelitian menemukan bahwa harmonisasi sistem informasi antar-unit dan antar-cabang belum sepenuhnya optimal sehingga beberapa data operasional belum terlaporkan secara seragam. Ketidakselarasan ini menunjukkan bahwa penerapan GCG secara formal belum sepenuhnya terinternalisasi dalam praktik kerja di seluruh jaringan kantor BSI [18]. In terms of accountability, BSI's organizational structure has demonstrated a clear division of functions and responsibilities among the board of commissioners, the board of directors, and supporting committees [19]. The Sharia Advisory Board (DPS) also plays a crucial role in providing Sharia opinions on banking products and operations. This is because the process of assimilating organizational culture following the merger takes time, particularly in aligning compliance SOPs that previously differed among the respective parent banks. Furthermore, in terms of accountability, BSI has consistently aligned its operations with POJK No. 55/POJK.03/2016 and SEOJK No. 34/2017, and has adhered to the provisions of the DSN–MUI regarding the use of sharia contracts [15]. Efforts to improve compliance continue through training, strengthening risk management, and enhancing internal oversight. However, the study also found that the burden of system transitions and complex regulations has resulted in the implementation of these responsibilities not being entirely uniform. Some work units still face challenges in understanding changes to standard operating procedures (SOPs), particularly regarding digital products and Sharia-compliant fintech services that require faster Sharia validation processes [20].

In accordance with the principle of independence, BSI's organizational structure has positioned the Board of Supervisors and the Audit Committee in a manner that prevents interference from business interests [21]. Field research confirms that members of the Board of Supervisors do not hold concurrent positions on the Board of Commissioners or the Board of Directors, thereby minimizing the potential for conflicts of interest. In practice, however, certain dynamics arise when major financing decisions require prompt Sharia-compliant consideration, while business units have commercial targets to meet. This situation reflects a tension between governance considerations and performance demands, which is a common phenomenon in the dual governance model of Islamic banking [22]. The principle of fairness has also been implemented through the provision of clear contract information, equal treatment of customers, and the implementation of a complaint resolution mechanism [23]. However, the study notes that the diverse backgrounds of employees from the three banks mentioned earlier have resulted in customer service standards that are not yet fully uniform. Some branches still follow the old service model, resulting in inconsistent service quality, which can ultimately affect customers' perception of fairness [24].

4. CONCLUSION

This study concludes that the implementation of Good Corporate Governance (GCG) at Bank Syariah Indonesia following the merger has complied with regulatory requirements and demonstrated a strong governance structure; however, the effectiveness of its implementation is still influenced by the dynamics of organizational integration. Formally, BSI has implemented the five principles of GCG through the establishment of a comprehensive supervisory body, improved transparency of information, as well as strengthening the role of the Sharia Supervisory Board in ensuring Sharia compliance. Nevertheless, the post-merger harmonization process still results in inconsistencies in reporting, coordination, and operational standards across various branches. The main challenges lie in the differences in work culture among the three parent banks, the suboptimal integration of information systems, and the imbalance between business demands and the principles of Sharia prudence. These factors have resulted in the implementation of GCG not yet being fully consistent at the operational level. Overall, BSI has been on the right track in strengthening its governance, but continuous improvement particularly in the integration of oversight technology, the harmonization of SOPs, and the strengthening of the DPS's role is key to ensuring more effective and sustainable implementation of GCG in the future.

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Author Contributions Statement

Muhammad Solihin Sahal: Conceptualization, methodology, investigation, formal analysis, writing - original draft. Mugiyati: Supervision, validation, writing - review and editing. All authors discussed the results and contributed to the final manuscript.

Conflict of Interest Statement

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper. Authors state no conflict of interest.

Informed Consent

Not applicable, as this study did not involve the collection of personal or identifiable information from individual research subjects beyond their professional capacity as key informants.

Ethical Approval

The research related to human use (in-depth interviews with directors, commissioners, and the Sharia Supervisory Board of BSI) has complied with all relevant national regulations and institutional policies and has been approved by the authors' institutional review board or equivalent committee.

Data Availability

The data that support the findings of this study, including BSI annual reports, GCG reports, and interview transcripts, are available from the corresponding author upon reasonable request, subject to confidentiality agreements with informants.

Declaration of Generative AI and AI-assisted Technologies

Generative AI tools were used only for language refinement and formatting assistance. The scientific content, data analysis, and conclusions remain entirely the responsibility of the authors.

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