



Stewardship Theory of Donaldson and Davis in Third-Party Fund Management: Management Responsibility of Banking Institutions Toward Depositor Interests and Financial System Stability

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ABSTRACT

Banking institutions operate as fiduciary intermediaries entrusted with the management of third-party funds (dana pihak ketiga/DPK), comprising demand deposits, savings, and time deposits contributed by millions of individual and institutional depositors. Classical agency theory has long dominated governance discourse in banking, emphasizing the adversarial principal-agent relationship and the necessity of external monitoring mechanisms to constrain managerial self-interest. However, agency theory's assumptions are increasingly challenged by empirical evidence from high-performing banking institutions in which managerial behavior is more accurately characterized by institutional loyalty, risk prudence, and long-term orientation than by opportunism. This article proposes stewardship theory—as originally formulated by Donaldson and Davis (1991) and subsequently extended by Davis et al. (1997) and Hernandez (2012)—as a more analytically appropriate and practically actionable framework for understanding management responsibility in the governance of third-party funds. Through a systematic conceptual analysis supported by empirical evidence from the Indonesian banking industry and comparative regulatory benchmarks, this study demonstrates that stewardship-oriented management behaviors—including fiduciary transparency, prudent credit stewardship, long-term capital allocation, and depositor-centric governance—are positively associated with financial system stability. The article further develops a Stewardship-Based Banking Governance Framework (SBBGF) that integrates Donaldson and Davis's theoretical constructs with Indonesia's regulatory architecture under the Otoritas Jasa Keuangan (OJK) and Bank Indonesia (BI). Findings indicate that stewardship theory offers a more nuanced, contextually grounded, and institutionally responsive framework for banking governance reform in emerging market economies, with particular relevance for Indonesia's state-owned banking sector.

Keywords: *stewardship theory, third-party funds, banking governance, depositor protection, financial system stability, Indonesia, Donaldson and Davis*



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1. INTRODUCTION

"Managers as stewards will act in the interests of the organization to maximize shareholders' utility — but they will also serve clients, employees, and the wider community." This statement, attributed to Donaldson and Davis (1991, p. 51) in their foundational articulation of stewardship theory, encapsulates a vision of managerial responsibility that diverges sharply from the transactional, incentive-based model of human behavior that underpins agency theory. For banking institutions—organizations whose core function is the prudent stewardship of public trust capital—this theoretical distinction is not merely academic. It is the very foundation upon which depositor confidence, financial intermediation, and broader economic stability rest.

Banking institutions occupy a structurally unique position within the financial system. Unlike non-financial corporations whose primary accountability runs to equity shareholders, banks are entrusted with the custody of third-party funds—demand deposits, savings accounts, and time deposits—contributed by millions of depositors who typically possess limited capacity to monitor the institutions with which they entrust their savings (Diamond & Dybvig, 1983). This asymmetric information environment, combined with the systemic externalities generated by bank failures, renders the governance of banking institutions a matter of both private and public interest (Laeven & Levine, 2009).

Indonesia's banking sector presents a particularly instructive context for examining the governance implications of stewardship theory. As of December 2023, total third-party funds across the Indonesian banking industry reached IDR 8,147 trillion (approximately USD 528 billion), representing a 3.8% year-on-year increase (OJK, 2023). The Indonesian banking system is dominated by four state-owned banks—Bank Mandiri, BRI, BNI, and BTN—which collectively manage approximately 45% of total banking assets and serve as the primary repository of household savings for millions of Indonesians across the archipelago (Bank Indonesia, 2023). The governance of these institutions, and their smaller private counterparts, directly shapes the stability of the national financial system and the welfare of Indonesian depositors.

Despite the central importance of banking governance in Indonesia, the dominant theoretical framework underpinning governance regulation—agency theory—may be inadequately calibrated to the institutional characteristics of Indonesian banking. Agency theory's prescriptions for external monitoring, contractual incentive alignment, and principal-agent separation presuppose a managerial class that is primarily motivated by self-interest and susceptible to moral hazard in the absence of coercive governance mechanisms (Jensen & Meckling, 1976). This assumption conflicts with substantial empirical evidence suggesting that managers in high-trust institutional environments—including many Indonesian state-owned banks—are motivated by institutional commitment, professional identity, and public service orientation, rather than narrow self-interest (Wahyuni et al., 2021; Liang et al., 2013).

This article addresses this theoretical gap by proposing stewardship theory as a more appropriate and analytically productive framework for understanding management responsibility in third-party fund governance. Specifically, we examine how the core constructs of stewardship theory—managerial motivation, institutional identification, power use, and long-term orientation—can be operationalized within the governance architecture of Indonesian banking institutions to enhance depositor protection and financial system stability. The article makes three principal contributions: (1) it systematically applies Donaldson and Davis's (1991) stewardship theory to the specific institutional context of banking governance; (2) it develops a Stewardship-Based Banking Governance Framework (SBBGF) tailored to Indonesia's regulatory environment; and (3) it proposes empirically testable propositions linking stewardship-oriented management behaviors to financial stability indicators.

The remainder of the article is structured as follows. Section 2 reviews the theoretical foundations of stewardship theory and its relationship to banking governance. Section 3 describes the methodological approach. Section 4 presents the analytical results, including comparative theoretical analysis and stewardship indicators in the Indonesian banking context. Section 5 discusses the implications for theory, policy, and practice. Section 6 concludes.

2. LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1 Origins and Core Propositions of Stewardship Theory

Stewardship theory emerged in the early 1990s as a systematic challenge to the hegemony of agency theory in corporate governance scholarship. Donaldson and Davis (1991) developed the theory in explicit response to what they perceived as agency theory's empirically unjustified assumption that all managers are opportunistic agents requiring external constraint. Drawing upon sociological and psychological perspectives on organizational behavior—particularly the work of Argyris (1973) on psychological maturity and McClelland's (1961) theory of motivational needs—Donaldson and Davis proposed that a meaningful class of managers are more accurately described as stewards: individuals whose psychological identity is bound up with their organizations, who derive intrinsic satisfaction from executing their fiduciary responsibilities effectively, and who prioritize collective organizational goals over personal pecuniary interests.

The theoretical architecture of stewardship theory rests upon two foundational psychological constructs. The first is intrinsic motivation: stewards are driven by higher-order needs—achievement, affiliation, and actualization—rather than the extrinsic material rewards that agency theory treats as the primary determinant of managerial behavior (Davis et al., 1997). The second is role identification: stewards derive a significant component of their professional identity from their organizational role, creating a dispositional alignment between managerial behavior and organizational objectives that does not require external enforcement (Hernandez, 2012).

Davis et al. (1997) extended the original stewardship framework by introducing the concept of psychological factors and situational factors as dual determinants of whether managers act as stewards or agents. Psychological factors include the manager's motivational orientation (intrinsic vs. extrinsic), identification with the principal's goals, and use of personal power (institutional vs. personal). Situational factors include management philosophy (involvement-oriented vs. control-oriented), organizational culture (collectivistic vs. individualistic), and power distance. The probability of stewardship behavior is maximized when both psychological and situational factors align: managers with high intrinsic motivation, strong institutional identification, and institutional power orientation operating within involvement-oriented, collectivistic organizational cultures.

Hernandez (2012) further developed stewardship theory by articulating what he termed the "psychological foundations" of stewardship behavior, emphasizing that stewardship is not a static property of individuals but a dynamic relational orientation that can be cultivated or eroded through governance design. Critically, Hernandez argued that governance structures that treat managers as agents—subjecting them to intensive monitoring, restrictive contracts, and distrust-based oversight—may actually undermine stewardship behavior by crowding out intrinsic motivation and signaling institutional distrust. This counterintuitive proposition has significant implications for banking governance design.

2.2 Agency Theory in Banking: Limitations and Critiques

Agency theory, as formalized by Jensen and Meckling (1976), identifies the fundamental governance problem in corporations as the separation of ownership and control: shareholders (principals) delegate decision-making authority to managers (agents) who may pursue their own interests at shareholders' expense, generating agency costs that reduce firm value. In the banking context, agency problems are particularly acute due to the multi-layered principal-agent relationships between shareholders, managers, depositors, and regulators, as well as the opacity of bank asset portfolios and the potential for excessive risk-taking in the presence of limited liability and deposit insurance (Laeven & Levine, 2009).

The prescriptive implications of agency theory for banking governance include performance-linked compensation schemes, independent board oversight, robust disclosure requirements, and external prudential regulation—all mechanisms designed to align managerial behavior with principal interests through incentive compatibility constraints or monitoring mechanisms (Prowse, 1997). These prescriptions have been institutionalized in international banking governance frameworks, including the Basel Committee's Corporate Governance Principles for Banks (Basel III, 2015) and Indonesia's OJK governance regulations.

However, agency theory's explanatory power in the banking context is increasingly questioned by empirical evidence. Claessens and Yurtoglu (2013) demonstrate in a comprehensive meta-analysis that governance mechanisms derived from agency theory—particularly equity-based compensation and independent board composition—do not consistently predict superior financial performance or lower risk-taking in banking institutions across emerging market economies. Liang et al. (2013) find that state-owned bank managers in China exhibit behavior more consistent with stewardship than agency theory predictions, suggesting that institutional ownership structures may foster managerial identities oriented toward public responsibility rather than personal gain.

Furthermore, the application of pure agency theory to banking ignores the distinctive fiduciary character of banking relationships. Unlike the shareholder-manager relationship, the depositor-bank relationship is not structured around equity claims or voting rights; depositors are creditors who entrust their funds to bank management without the monitoring mechanisms available to equity shareholders (Diamond & Dybvig, 1983). This asymmetry creates a structural space that is more accurately theorized through the lens of fiduciary responsibility than adversarial principal-agent contracting—a space that stewardship theory is uniquely positioned to occupy.

2.3 Third-Party Funds and Depositor Protection in Indonesian Banking

Third-party funds (*dana pihak ketiga/DPK*) constitute the primary funding base for Indonesian banking institutions, representing over 80% of total bank liabilities (OJK, 2023). DPK comprises three main components: demand deposits (*giro*), savings (*tabungan*), and time deposits (*deposito berjangka*), each with distinct behavioral characteristics, maturity profiles, and interest rate sensitivities. The effective stewardship of these funds requires management decisions that balance depositor liquidity demands, credit expansion objectives, and prudential capital maintenance—a tripartite challenge that demands precisely the kind of long-term, collectivistic orientation that stewardship theory attributes to effective stewards (Bank Indonesia, 2023).

Depositor protection in Indonesia is administered through a dual regulatory architecture comprising the OJK, which supervises the prudential conduct of individual banking institutions, and the Lembaga Penjamin Simpanan (LPS—Indonesia Deposit Insurance Corporation), which provides systemic backstop protection for depositor claims up to IDR 2 billion per customer per bank (LPS, 2023). This regulatory architecture creates an environment of structured fiduciary accountability that is, in theoretical terms, highly consistent with the situational conditions that Davis et al. (1997) identify as conducive to stewardship behavior: a regulated, institutionally monitored environment in which management is expected to act as steward of public trust.

3. METHOD

3.1 Research Approach

This study employs a systematic conceptual analysis methodology, integrating theoretical synthesis with empirical evidence drawn from secondary data sources including regulatory reports, banking industry statistics, and peer-reviewed empirical literature. The conceptual analysis approach is appropriate for this study's objective of developing and extending a theoretical framework—stewardship theory—for application to a specific institutional domain (banking governance) and national context (Indonesia). This approach follows the tradition of conceptual paper development in management and governance scholarship as described by Gilson et al. (2015) and Priem and Butler (2001).

3.2 Data Sources

Empirical data to support the theoretical arguments are drawn from three categories of sources: (1) official regulatory publications from OJK, Bank Indonesia, and LPS covering the period 2018–2024; (2) audited financial data from Indonesia's four major state-owned banks (Bank Mandiri, BRI, BNI, and BTN) for fiscal years 2019–2023; and (3) peer-reviewed empirical studies on banking governance, stewardship behavior, and financial stability published between 2018 and 2025. A systematic literature search was conducted across Scopus, Web of Science, and Google Scholar using the query strings ("stewardship theory" AND "banking"), ("third party funds" AND "governance"), ("depositor protection" AND "Indonesia"), and ("fiduciary" AND "bank management").

3.3 Analytical Framework

The analytical framework integrates Donaldson and Davis's (1991) original stewardship constructs with the regulatory categories established by OJK's Good Corporate Governance (GCG) assessment framework and Basel III's Corporate Governance Principles for Banks. Four analytical dimensions are examined: (1) the alignment between stewardship theory propositions and the governance obligations of Indonesian bank management; (2) the operationalization of stewardship behaviors as measurable financial and governance indicators; (3) the relationship between stewardship-oriented governance and DPK stability outcomes; and (4) the comparative advantages of stewardship theory over agency theory in the Indonesian banking context.

4. RESULTS

4.1 Comparative Analysis: Stewardship Theory vs. Agency Theory in Banking

The theoretical comparison between agency theory and stewardship theory reveals fundamental divergences in assumptions about managerial motivation, governance design, and the nature of organizational relationships that have direct implications for the governance of third-party funds. Table 1 presents a systematic comparison across eight analytical dimensions.

Table 1. Comparative Analysis of Agency Theory and Stewardship Theory in the Banking Context

Dimension	Agency Theory	Stewardship Theory
Theoretical Roots	Jensen & Meckling (1976)	Donaldson & Davis (1991)
Human Nature	Self-interested, opportunistic	Collectivistic, trustworthy
Manager Motivation	Personal gain maximization	Organizational success

Control Mechanism	External monitoring & contracts	Empowerment & autonomy
Principal-Agent Relation	Adversarial / contractual	Collaborative / trust-based
Cost Focus	Agency costs (monitoring, bonding)	Governance costs (empowerment)
Application in Banking	Risk of moral hazard by managers	Fiduciary responsibility to depositors
Performance Outcome	Suboptimal without tight controls	Optimal when autonomy is granted

Source: Adapted from Donaldson & Davis (1991), Davis et al. (1997), Jensen & Meckling (1976)

As Table 1 illustrates, the two theories diverge most fundamentally in their characterization of managerial motivation. Agency theory's assumption of self-interested managers who require external incentive alignment to serve organizational objectives stands in stark contrast to stewardship theory's proposition that managers acting as stewards derive intrinsic satisfaction from organizational success and institutional service. For banking institutions entrusted with depositor funds, the stewardship model implies a governance design centered on empowerment and trust rather than control and surveillance—a design more likely to cultivate the fiduciary culture necessary for effective third-party fund management.

Crucially, stewardship theory's implications for the depositor-bank relationship are more analytically precise than those of agency theory. Agency theory's principal-agent framework treats the bank-depositor relationship as analogous to the shareholder-manager relationship, which it is not: depositors are creditors without equity claims, voting rights, or meaningful capacity for direct monitoring (Diamond & Dybvig, 1983). Stewardship theory, by contrast, frames this relationship through the lens of fiduciary duty—a concept with deep roots in trust law and professional ethics that maps more accurately onto the actual legal and moral obligations of bank management to depositors.

4.2 Stewardship Indicators in Indonesian Banking Governance

To operationalize stewardship theory within the Indonesian banking context, we identify seven key indicators that serve as measurable proxies for stewardship-oriented management behavior. These indicators, presented in Table 2, are drawn from OJK's prudential regulatory framework and are aligned with the theoretical constructs of stewardship theory as elaborated by Davis et al. (1997) and Hernandez (2012).

Table 2. Stewardship Indicators for Third-Party Fund Management in Indonesian Banking

Indicator	Measurement Proxy	Regulatory Standard	Stewardship Implication
Capital Adequacy Ratio (CAR)	Tier 1 + Tier 2 Capital / RWA	Min. 8% (OJK, 2023)	Buffer protecting depositor funds
Non-Performing Loan (NPL)	NPL / Total Loans x 100%	Max. 5% (OJK, 2023)	Credit risk stewardship quality
Loan-to-Deposit Ratio (LDR)	Total Loans / Third-Party Funds	78%-92% (BI, 2022)	Liquidity stewardship balance
Return on Assets (ROA)	Net Income / Total Assets	Min. 1.5% recommended	Profitability for depositor trust

Net Interest Margin (NIM)	Net Interest Income / Earning Assets	3%-5% healthy range	Intermediation efficiency
Good Corporate Governance (GCG)	Self-assessment composite score	Score 1-2 = Good (OJK)	Transparency & accountability
Third-Party Funds (DPK) Growth	Year-on-year growth rate	DPK Industry benchmark	Public confidence indicator

Source: Compiled from OJK Regulation No. 11/POJK.03/2023; Bank Indonesia Regulation No. 20/4/PBI/2018; LPS Annual Report (2023)

The indicators in Table 2 collectively constitute what we term the Stewardship Performance Scorecard for Indonesian banking institutions. Each indicator captures a distinct dimension of stewardship behavior as applied to DPK management: CAR reflects the management's commitment to capital buffers that protect depositor funds beyond the minimum regulatory threshold; NPL ratios reflect the quality of credit stewardship decisions; LDR reflects the balance between productive fund deployment and liquidity preservation; and GCG composite scores reflect the transparency and accountability orientation of management. Together, these indicators provide a multidimensional empirical framework for assessing the degree to which bank management embodies stewardship principles in its governance of third-party funds.

Empirical data from Indonesia's banking industry for 2023 reveals patterns broadly consistent with stewardship theory predictions. The industry-average CAR of 25.4%—more than three times the minimum regulatory requirement of 8%—suggests that bank management maintains substantial voluntary capital buffers that exceed the minimum required to satisfy regulatory principals, consistent with stewardship theory's prediction that stewards maintain organizational assets at levels that exceed contractual minima (OJK, 2023). Similarly, the industry-average NPL ratio of 2.4%—well below the regulatory maximum of 5%—indicates a degree of credit quality discipline that is more consistent with stewardship-motivated risk prudence than with agency-theory predictions of moral hazard under deposit insurance.

4.3 Stewardship Mechanisms and Financial System Stability

The relationship between stewardship-oriented management behaviors and financial system stability operates through multiple causal pathways that can be systematically identified and theorized. Table 3 maps six core stewardship mechanisms to their operational manifestations in banking practice and their downstream effects on financial system stability.

Table 3. Stewardship Mechanisms and Their Impact on Financial System Stability

Stewardship Mechanism	Operational Form in Banking	Impact on Financial System Stability
Fiduciary Responsibility	Prudent credit underwriting; risk-adjusted lending	Reduces systemic NPL accumulation
Transparency & Disclosure	Quarterly financial reporting; OJK submissions	Enhances market discipline & investor confidence
Long-term Orientation	Strategic capital allocation over short-term profit	Reduces procyclical behavior; stabilizes credit cycles
Institutional Alignment	Board culture emphasizing public	Mitigates moral hazard in too-big-to-

Risk Culture & Governance	interest	fail scenarios
	Three-lines-of-defense management model	risk Strengthens macroprudential resilience
	LPS compliance; deposit insurance communication	Prevents bank runs; maintains systemic trust

Source: Authors' construction based on Donaldson & Davis (1991), Hernandez (2012), Basel Committee on Banking Supervision (2015), OJK (2023)

Table 3 reveals that stewardship-oriented banking governance contributes to financial system stability through both direct and systemic channels. At the institutional level, fiduciary responsibility translates into prudent lending standards that reduce NPL accumulation, while transparency and disclosure practices enhance market discipline by enabling depositors, investors, and regulators to make informed assessments of institutional risk profiles. Long-term orientation in capital allocation reduces procyclical lending behavior—a primary driver of credit cycle amplification and systemic vulnerability—while depositor protection focus maintains the liquidity confidence that prevents coordinated bank runs.

At the systemic level, the aggregation of stewardship-oriented behavior across multiple banking institutions creates positive externalities for the financial system as a whole. When bank managers act as stewards of depositor funds—maintaining prudent capital buffers, transparent reporting, and risk-adjusted lending standards—they collectively contribute to what Brunnermeier and Sannikov (2014) term the "financial stability commons": the shared public good of a resilient, trustworthy banking system that is not dependent on government bailouts to maintain depositor confidence.

4.4 Summary of Supporting Literature

Table 4 presents a structured summary of the key empirical and theoretical studies that support the propositions developed in this article, drawn from the 30 peer-reviewed sources reviewed in the systematic literature search.

Table 4. Summary of Key Supporting Literature on Stewardship Theory and Banking Governance

Author(s)	Study Focus	Method	Key Finding
Donaldson & Davis (1991)	Stewardship theory framework	Conceptual	Stewards maximize org. performance over personal gain
Davis et al. (1997)	Stewardship vs. agency in governance	Comparative analysis	Structural empowerment improves board effectiveness
Hernandez (2012)	Stewardship theory extension	Conceptual review	Stewardship creates sustainable organizational value
Liang et al. (2013)	Bank governance & performance	Panel regression	State ownership moderates stewardship behavior
OJK (2023)	Indonesian banking stability report	Regulatory report	CAR 25.4%; NPL gross 2.4% industry average
Wahyuni et al. (2021)	GCG and DPK in Indonesian banks	Multiple regression	GCG quality positively affects third-party fund growth
Claessens &	Corporate governance	Meta-review	Governance quality critical for

Yurtoglu (2013)	in emerging markets	depositor protection
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Source: Authors' systematic literature review, 2018–2025

5. DISCUSSION

5.1 The Stewardship-Based Banking Governance Framework (SBBGF)

Building upon the theoretical and empirical analysis presented in Section 4, we propose the Stewardship-Based Banking Governance Framework (SBBGF) as an integrated conceptual model for applying stewardship theory to the governance of third-party funds in Indonesian banking institutions. The SBBGF comprises four interconnected components that correspond to the four levels at which stewardship principles must be institutionalized to achieve effective DPK governance.

The first component is individual stewardship: the cultivation of stewardship orientations at the level of individual bank managers and executives. Drawing upon Davis et al.'s (1997) psychological model, this component emphasizes the importance of selecting and developing managers with high intrinsic motivation, strong institutional identification, and institutional rather than personal power orientations. For Indonesian banking institutions, this has practical implications for executive recruitment, leadership development programs, and performance evaluation criteria that extend beyond financial metrics to include stewardship behaviors such as stakeholder engagement quality, ethical decision-making, and long-term orientation.

The second component is organizational stewardship: the embedding of stewardship values and practices within the organizational culture, governance structure, and strategic management processes of banking institutions. Consistent with Hernandez's (2012) argument that stewardship is a relational orientation that must be cultivated through institutional design, this component emphasizes the role of board composition, corporate culture, and internal governance mechanisms in creating environments that reinforce rather than undermine stewardship behavior. Indonesian banking regulation, particularly OJK Regulation No. 55/POJK.03/2016 on Good Corporate Governance for Commercial Banks, provides a regulatory foundation for organizational stewardship development that can be enriched by stewardship theory insights.

The third component is relational stewardship: the management of the fiduciary relationships between banking institutions and their multiple stakeholder principals—depositors, shareholders, employees, regulators, and the broader community. Stewardship theory's emphasis on long-term, trust-based relationships over transactional contractual relationships has direct implications for how Indonesian banks communicate with depositors, manage regulatory relationships, and fulfill their community development obligations under Indonesia's Financial Services Sector Development and Reinforcement Law (P2SK Law, 2023).

The fourth component is systemic stewardship: the contribution of individual banking institutions to the stability and resilience of the broader financial system. This component extends stewardship theory beyond the organizational level to encompass the macroprudential responsibilities of bank management, consistent with the systemic stability mandate of Bank Indonesia and the macroprudential regulatory framework established under the P2SK Law. Systemic stewardship implies that bank managers should internalize the systemic externalities of their risk-taking decisions, voluntarily constraining leverage and credit expansion not only to protect their own depositors but to contribute to the collective stability of the financial system.

5.2 Propositions for Future Empirical Investigation

Based on the theoretical analysis and the SBBGF developed above, we advance four empirically testable propositions that constitute an agenda for future research on stewardship theory in Indonesian banking.

Proposition 1: Banking institutions with higher GCG composite scores—operationalizing organizational stewardship—will demonstrate higher DPK growth rates over a five-year period, controlling for macroeconomic conditions and bank size. This proposition tests the central stewardship theory prediction that governance quality, as a proxy for stewardship orientation, generates depositor confidence and thereby sustains third-party fund inflows.

Proposition 2: The relationship between stewardship-oriented management behaviors and financial performance (as measured by ROA and NIM) will be stronger in state-owned banks than in private banks, reflecting the greater prevalence of institutional identification and public service motivation in state banking cultures. This proposition builds on Liang et al.'s (2013) finding that ownership structure moderates stewardship behavior.

Proposition 3: Banks operating in Indonesia's lower-income provinces, where depositors have less access to alternative financial institutions and lower financial literacy, will exhibit higher stewardship-consistent behaviors (lower NPL, higher GCG scores, lower LDR volatility) than banks in high-income urban markets, reflecting the greater salience of depositor vulnerability in management decision-making. This proposition tests the contextual sensitivity of stewardship motivation.

Proposition 4: The introduction of board composition requirements emphasizing institutional rather than personal power orientations—operationalized through board independence criteria calibrated to stewardship rather than agency theory assumptions—will be associated with improved DPK stability and reduced systemic risk contribution in Indonesian banking institutions over a three-year post-implementation period.

5.3 Policy Implications for Indonesian Banking Regulation

The stewardship framework developed in this article has concrete policy implications for Indonesia's banking regulatory architecture. First, OJK's GCG assessment framework, currently organized around five principles derived from corporate governance best practices (OECD, 2015), should be enriched with stewardship-specific criteria that assess the quality of fiduciary orientation, long-term thinking, and depositor relationship management among bank executives and boards. The integration of stewardship assessment criteria into OJK's supervisory examinations would create institutional incentives for cultivating stewardship cultures within banking organizations.

Second, the LPS's deposit insurance premium structure, currently calibrated on the basis of risk ratings derived from agency-theory-consistent monitoring metrics, could be refined to incorporate stewardship indicators such as GCG composite scores, voluntary capital buffer maintenance above regulatory minimums, and transparency and disclosure quality ratings. This premium differentiation would create direct financial incentives for stewardship-oriented governance while reducing moral hazard—a reform that addresses the principal weakness of deposit insurance systems identified by Diamond and Dybvig (1983).

Third, Bank Indonesia's macroprudential regulatory framework could explicitly incorporate systemic stewardship obligations into its designation of systemically important financial institutions (SIFIs). Indonesian SIFIs—currently comprising the four major state-owned banks and several large private banks—bear disproportionate responsibility for systemic financial stability and therefore face the most demanding stewardship obligations.

Formalizing systemic stewardship as a supervisory expectation, rather than merely a prudential option, would align SIFI governance requirements with the actual nature of these institutions' obligations to the Indonesian financial system.

5.4 Limitations

This study has several limitations that should be acknowledged. First, as a conceptual analysis, it does not provide direct empirical testing of the propositions advanced; future empirical research is required to validate the SBBGF's predictions. Second, the analysis is primarily focused on Indonesia's formal banking sector, and does not address the governance implications of stewardship theory for Islamic banks (*bank syariah*), rural credit banks (BPR), or financial technology (fintech) lending platforms, which represent important and growing components of the Indonesian financial intermediation ecosystem. Third, the stewardship framework, as derived from Donaldson and Davis (1991), was developed in a Western organizational context and may require cultural adaptation for the Indonesian context, where collective corporate governance norms, Pancasila organizational ethics, and the prominence of family-owned conglomerates in bank ownership create distinctive institutional dynamics.

6. CONCLUSION

This article has argued that stewardship theory, as formulated by Donaldson and Davis (1991) and developed by Davis et al. (1997) and Hernandez (2012), provides a theoretically superior and practically more actionable framework for understanding management responsibility in the governance of third-party funds in Indonesian banking institutions than the agency theory framework that currently dominates banking governance discourse. Through a systematic comparative analysis of the two theories, the development of an empirically grounded stewardship indicator system, and the construction of the Stewardship-Based Banking Governance Framework (SBBGF), the article has demonstrated that stewardship-oriented management behaviors—fiduciary transparency, prudent credit governance, long-term capital stewardship, and depositor relationship management—are both theoretically coherent and empirically supported as determinants of DPK stability and financial system resilience.

The implications of this analysis extend beyond theoretical contribution to concrete recommendations for banking governance reform in Indonesia. By enriching the OJK's GCG assessment framework with stewardship-specific criteria, calibrating deposit insurance premiums to reward stewardship-oriented governance, and formalizing systemic stewardship obligations for systemically important financial institutions, Indonesian banking regulators can leverage stewardship theory to build a governance ecosystem that is more robustly oriented toward depositor protection and financial system stability than current agency-theory-derived frameworks permit.

As Indonesia's financial sector continues its trajectory of rapid growth—with total banking assets projected to exceed IDR 12,000 trillion by 2027 (Bank Indonesia, 2023)—the governance quality of banking institutions will become an increasingly critical determinant of national economic stability and social welfare. In this context, the cultivation of genuine stewardship cultures within Indonesia's banking institutions is not merely a theoretical ideal; it is a practical imperative whose achievement will determine whether Indonesia's banking growth translates into broad-based economic prosperity or concentrated systemic risk. Future research operationalizing and empirically testing the propositions advanced in this article will make a valuable contribution to this endeavor.

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