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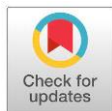
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The Influence of Good Corporate Governance, Corporate Social Responsibility, and Return on Assets on the Value of Islamic Banks

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Abstract

This paper examines the process by which Islamic commercial banks in Indonesia create firm value via the interaction of governance mechanisms, moral signaling, as well as, financial performance. Based on more or less numerous forms of multiple linear regression analyses in 12 Sharia compliance banking institutions between 2019 and 2022, the study will investigate the corresponding influence of Islamic Good Corporate Governance (IGCG), Islamic Corporate Social Responsibility (ICSR), and Return on Assets (ROA) on investor-scape perceived value reflecting through Earnings per Share (EPS). The results indicate a strong divergence between the formal systems of governance and market-imposed judgments. IGCG, although institutionally mandated, does not play any significant role in creating firm value, which implies that the current practice of governance is not publicly credible. Comparatively, ICSR has proven to be the most influential predictor representing that the stakeholders give more importance on ethical transparency rather than procedural compliance. ROA is an influential albeit minor element, which supports the idea that profitability is essential but not sufficient by itself to keep valuation trust. Such outcomes must herald a transformation in the vision of value in an Islamic finance context; in other words, how compliance is measured and appropriately valued financially is no longer an internalized affair because such reality is more seen in terms of filming the veracity of a financial institution publicly.

Introduction

The growth of the Islamic banking in Indonesia is not something that is purely monetary. It signals the restructuring of ethical responsibility and economic legitimacy of redefining in the emerging markets. Based on the principles of Islamic law (namely the prohibition of riba, avoidance of gharar and responsibility of engaging in socially responsible investments), Islamic banking philosophy aims to merge morality and financial creativity. The specified model is of special importance to Indonesia, since a majority population that is Muslim is coupled with the increased need in transparency, trust, and socially based financial activity.

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Institutional diversification and novelty in the product of the sector has been available since the year 1991 when Bank Muamalat was established, which yielded extensive growth, both in terms of the assets and also in terms of institute diversification and product invention. As of 2023, the overall Islamic banking assets had hit the IDR 892 trillion mark or an annualized growth pattern of over 11 percent against the preceding year (OJK, 2024). With this impressive growth pattern, the market share of the industry is still less than 8 percent implying that the growth in terms of numbers has not yet been reflected in the equivalent ability to influence or create credibility.

This paradox throws serious questions on what actually forms value within the Islamic financial institutions (Castrogiovanni & Imbesi, 2017; Vohr et al., 2017; Ramakrishnan et al., 2012). In traditional banking, the concept of value is usually determined regarding the profitability or market capitalization. In Islamic banking, however, any proper understanding of the concept of value is impossible without looking into the dedication of the institution to the principle of governance ethics, common social activity, and efficient performance (Gilani, 2015; Alhammadi et al., 2022; Hirsanudin & Martini, 2023). A key part in this ecosystem is played by Islamic Good Corporate Governance or IGCG (Gilani, 2015; Zainuldin et al., 2018; Hamidi & Worthington, 2021). It is not only a reflection of regulatory compliance, but also encompasses institutionalization of the sharia-based principles of accountability, fairness and public trust. In theory, IGCG that has been implemented well ought to increase the trust in stakeholders and heighten the credibility of firms. However empirical evidence has proved unconvincing. Budiman (2016) is of the opinion that the presence of a healthy governance structure enables Islamic banks to compete favourably with those of their traditional counterparts. Nonetheless, a study conducted by Erfani & Nena (2019) demonstrates that IGCG is not necessarily a constructive force in terms of the firm value, particularly in the cases of governance definitions that are put into operation symbolically. Such empirical findings support a more universal criticism that the traditional model of governance in Islamic finance can be sidelined when it does not correspond enough to institutional action and stakeholder perception (Ayub et al., 2024; Ahmed et al., 2024; AlQassar, 2023). Not unrelated parallel criticism has emerged in more general discourse. As an example, Heimer & Petty (2010) raise concern about the discontinuity between the institutionally dictated ethical systems and their actual embodiment, especially in the jurisdictions with inconsistent regulatory authority. In a supplementary study, Towers & Cotton (2024) disclose that the trust of the stakeholders suffers in terms of being shallow within a very short time, when the systems of governance are viewed as only procedural instead of being explicitly ethical.

In addition to governance, Islamic Corporate Social Responsibility (ICSR) can provide another important perspective towards assessing the value creation by the institutions. ICSR is not simply a religiously colored variant of Western corporate social responsibility; instead, it is based on the maqasid al-shariah framework, and thus it focuses on social justice, communal welfare, and concern with the environment as mandatory requirements instead of optional concerns (Mohd Zain et al., 2024; Setiawan, 2023). In its turn, ICSR serves as a main pointer to the sincerity and moral responsibility of institutions. With the assistance of Nurhayati & Rustiningrum (2021), I have uncovered evidence that Islamic banks who implement a more transparent ICSR approach have quantifiable increases in terms of reputational status and financial performance. This statement is confirmed with more recent investigations. According to Susbiyani et al. (2023), strategic CSR participation, specifically an imbrication of business activities and reporting and communication procedures, is associated with firm value in a number of Islamic banking markets positively. Patriotta et al. (2011) develop the argument farther, as broadly connecting stakeholder-shaped CSR programs to increased legitimacy and future preservation of value. All these together indicate that, Islamic banks are no longer being

evaluated by the profits that they can generate but also on how they choose to describe and perform their ethical roles.

We have to understand that financial performance, as it is reflected in Return on Assets (ROA), has interpretive meanings which much outweigh a technical definition. ROA also plays the role of a management effectiveness indicator in the framework of Islamic banking but this indicator also implies the operational sustainability and strategic plausibility of an institution (Jarbou et al., 2024; Chouaibi et al., 2022; AlAjmi et al., 2023). It is under this structure that internal discipline and the external accountability is analyzed side by side. In a study by Hasan et al. (2018), the researcher argues that ROA plays a very vital role of mediating the correlation between corporate social responsibility (CSR) practices and firm value and the only way morals to have monetary results is through ROA. Similarly, Sofian (2020) see that the stakeholders of Islamic banks perceive high financial performance simultaneously as the indicator of managerial performance potential and the sign of divine blessing, in particular when it correspond with corporate value-based behaviors. When it is possible to eke out trust in both religious and financial aspects, the correlation between ROA and the perception by stakeholders takes on an enhanced importance (Akbar & Siti-Nabiha, 2022; Zafar et al., 2022).

In order to better understand the true value of Islamic banks in modern-day Indonesia one ought to avoid the reductionism inherent in orthodox performance theories and to consider the underlying tensions within the institutions upon which the field of finance is predicated. The three simple Islamic Good Corporate Governance, Islamic Corporate Social responsibility and Return on Assets is not simply a constellation of variables but it is how the dialectic between ethos and practice could not be reconciled. Government, free of its ritualism of obedience, is the ethics of the exercise of power: of accountability, and justice, institutionalized in a regime that purports to be at service to God. CSR in parallel does not play the role of marketing tool with religious accessories, rather than the evidence of how the institution lives with or without the community. The idea of profitability, measured in terms of ROA, should be unbounded both from the capitalist cult of excess and redefined as a way of expressing a fiduciary responsibility and a triumph of a spirit of resource purity. The research does not peremptorily forcefully intrude on the empirical literature to seal it statistically, it interferes with a debate which requires an accounting of how the Islamic banks justify them in an ecosystem filled with religious anticipation on one hand and market constraints on the other. Interrogating these constructs collectively, rather than separately as variables, the research deconstructs details of existing assumptions of what precisely constitutes firm value and demands that, in the instance of Islamic banks, the value must accrue not only in balance sheets but also in the moral imagination of the communities which the Islamic banks purport to serve.

Methods

This research will be based on the quantitative research design with the explanatory analysis as the core of the study with a view of testing the impacts of Islamic Good Corporate Governance (IGCG), Islamic Corporate Social Responsibility (ICSR) and Return on Assets (ROA) on the value of Indonesian Islamic commercial banks. The choice of such variables is not random as it is based on a strategic paradigm where the factors that contribute to institutional legitimacy and stakeholder values in the financial ecosystems operated by faith-based institutions are learning, governance, responsibility and profitability.

Data Source, Population

This paper will consider the secondary panel data, which is the data taken through the audited annual reports, Good Corporate Governance (GCG) self-assessment reports, and sustainability

reports or CSR reports of Islamic commercial banks (BUS) that are officially registered at the Financial Services Authority (OJK). The timeframe of the study is five years between 2019 and 2023. The population entails all the Islamic commercial banks that operate under the jurisdiction of the OJK in the same timeframe. The total of 12 Islamic Commercial Banks (BUS) is based on the Islamic Banking Statistics prepared by OJK (2023).

Nevertheless, due to the needs of data completeness, consistency between reporting years, and availability of certain disclosures concerning the selected variables, the final sample has been determined with the help of the purposive sampling technique. Only the banks that had published their full annual reports during 2019 to 2023, which must provide detailed IGCG evaluation and ICSR disclosures on the basis of content requirements/financial performance were considered. Consequently, 9 Islamic Commercial Banks fit the criteria of inclusion and deliver a homogeneous panel of 45 observation units (9 BUS x 5 years).

Definition of Variables and Measurement

The construct validity, in turn, and replicability are achieved by setting a clear definition of each research variable based on the standard of measurements in existing studies on Islamic banking and the financial performance. The variables, indicators and tool of measurement used in this study as displayed in the table below:

Table 1. Measurement of Variables

Research Variables	Measurement Indicators
Islamic Good Corporate Governance (IGCG)	Measured using the composite score from the self-assessment process in accordance with Bank Indonesia Circular Letter No. 12/13/DPbS (2010) concerning GCG implementation in BUS and UUS. Scores are derived directly from each bank's official GCG implementation reports submitted to the OJK.
Islamic Corporate Social Responsibility (ICSR)	Measured using the ICSR index developed by Othman, Thani, & Ghani (2009). Content analysis is employed to evaluate the presence or absence of CSR components. Each disclosed item receives a binary score (1 = disclosed, 0 = not disclosed), and the index is calculated as: ICSR Index = (Points Disclosed / Total Possible Points) × 100%
Company Value	Measured by Earnings Per Share (EPS), defined as: EPS = Net Profit / Outstanding Shares
Financial Performance (ROA)	Measured using the Return on Assets formula: ROA = (Net Profit / Total Assets) × 100%

Data Analysis Technique

Analysis of data was conducted in a multi-step procedure that will guarantee methodological rigor and the soundness of the results. To analyze the distribution, central tendencies, and variety of the variables, descriptive statistics was used in order to begin the analysis. This was followed by a battery test of classical assumption, viz. test of normality, multicollinearity, auto correlation and heteroscedasticity to ensure the appropriateness of regression model.

In order to test the hypothesis, in this study multiple regression was used based on the approach of the Ordinary Least Squares (OLS). The proposed regression model is as summarized below:

$$NP = \alpha + \beta_1 GCG + \beta_2 CSR + \beta_3 ROA + \varepsilon$$

Where:

NP = Company Value

α = Constant

GCG = Islamic Good Corporate Governance $\beta_1, \beta_2, \beta_3$ = Coefficients of Independent
CSR = Islamic Corporate Social Variables
 Responsibility ε = Standard Error Term
ROA = Return on Assets

The model has been chosen because it allows isolating the (marginal) impact that each individual independent variable has whilst holding the rest constant and therefore, makes more accurate estimates about the impact that IGCG, ICSR and ROA have on the variance in company value. The investigation was done in the SPSS 26.0, which is a well-known statistical modeling software in the fields of finance and social sciences.

The choice of EPS as the proxy to the company value was given by its market-oriented nature and the prevalence of usage of EPS in stakeholder calculation, especially in financial statements that were in the public domain. Despite the fact that more sophisticated models like a panel regression with panel-specific effects or random effects were taken into account, the sample size and the structure of variables enabled one to use a classic OLS regression during the given stage of analysis. Potential further model extensions would look into time-fixed effects or dynamic panel models in order to capture institutional lag effects.

Results and Discussion

The empirical work that is carried out in this section is not a statistical point, but rather a factual prodding that reveals the internal design of Islamic banking institutions as they steer between the respective prerogatives of moral consistency, stakeholder image, and the legitimacy of functional operations. The information cannot be interpreted merely as quantifications but as an enactment of the production, acceptance and rejection of value in a system that promotes itself to be morally exceptional but is functioning amid increasing public visibility. Every table does not just prove or disapprove a theory. It unveils institutional pressures of form and substance, reported and believed, compliance structures and trust economies. Other steps present in this section are not as a checklist of quantitative procedures. It plays out as a question of rendering into a system of valuation the governance, responsibility, and performance requirements in a banking industry no longer being evaluated on the capital base but rather on the credibility of its ethical stance. The subsequent is not an opportunity-free interpretation of numbers but a judgmental chain of empirical knowledge, starting with structural description, continuing with relation mapping, reaching to multicollinearity and, finally, leading to a model that challenges the stakes of value formulation in the modern Islamic economy.

Before entering the inferential domain, it is essential to ground the analysis in the empirical profile of each construct. Table 1 presents the descriptive statistics for all key variables: Islamic Good Corporate Governance (GCG), Islamic Corporate Social Responsibility (ICSR), Return on Assets (ROA), and company value as proxied by Earnings Per Share (EPS). The data span five years across nine Islamic Commercial Banks, yielding 45 observations.

Table 2. Descriptive Statistics of Study Variables

Variable	N	Minimum	Maximum	Mean	STD Deviation
GCG	45	0.00	3.00	0.96	0.21
ICSR	45	9.00	25.00	16.51	3.68
ROA	45	1.00	1.73	1.43	0.19
EPS	45	4.40	54.49	2.23	2.37

The descriptive measures as listed in Table 1 are not only characteristic of the raw data distribution, but they bring light to the institutional boundaries of Islamic banking behavior in

Indonesia. The small variation and tightness of the GCG scores with a mean gathering at 0.96 would indicate incredibly uniform but possibly mechanistic commitment to handling instructions. Although this might be an indication of compliance with regulators, it is also an indication that there is no strategic differentiation in the way governance is conducted. The values point to the fact that the majority of the Islamic banks are graded within the same rating ranges, presumably as a result of using the template self-assessment based on the regulations and not as a result of ad-substance improvements in governance. Such converging is both disturbing and telling. It suggests that governance, at least insofar as it is audited internally may have become an exercise in empty conformance--with no real soul searching or self-criticism in any institution.

The ICSR scores, in its turn, are characterized by the wider range as the values vary between 9 and 25 having the average value of 16.51. Such disparity is relevant since it indicates differences between philosophies and diversities in terms of commitment to ethical stakeholder interaction of Islamic banks. Although there are examples that an institution can utilize CSR as the extension of its shariah profile, some institutions can do it relatively conservatively due to the lack of the resources, or due to the focus on the internal managerial goals. The dispersion of the ICSR scores indicates that ethical signalling on the macro-level remains anything but homogeneous even in the industry that is theoretically glued together by the tenets of shared religious beliefs. Such lack of coherence in social responsibility practice highlights an important point, namely, that Islamic branding is not a guarantee of Islamic action, at least when CSR has not been fully integrated into performance level items of the strategy.

In the meantime, the values of ROA show a minimal dispersion, 1.43 is their average, and 1.73 is the maximum measure. This reflects towards limited profitability in all respects which is not surprising since the Islamic financial instruments are asset-based and interest free. Nevertheless, this clustering can also be seen as the systematic constriction of the risk-return tradeoffs that can be made by the Islamic banks, which justifies paying more attention to product structuring and deployment of assets. But lastly, it is the EPS data which provides possibly the most shocking revelation. Having a range of 4.40 to 54.49, which is quite breathtaking, with a mean value of 2.23, it is evident that there is volatility in the perceptions of steady firm value by the market. Such dispersion is probably the indicator of market positioning difference, capital intensity difference or investor confidence difference--of variables that can or cannot be consistent with ethical or operating performance. More importantly, it is an indicator that firm value here can be more extrinsically caused by off-setting views compared to intrinsically brought about by effective governance or social performance.

Pearson correlation matrix was used in order to determine the relationship between these variables before modeling. The analysis can not only give some clues about linear associations, but also suggests at the architecture of relations that links ethical practices on the one hand and financial valuation on the other.

Table 3. Pearson Correlation Matrix

	GCG	ICSR	ROA	EPS
GCG	1.00	-0.12	-0.15	-0.10
ICSR	-0.12	1.00	0.08	0.65
ROA	-0.15	0.08	1.00	0.41
EPS	-0.10	0.65	0.41	1.00

The correlation table in Table 2 creates an incriminating aperture into the latent relationship structure of links between governance, ethics, efficiency, and valuation. The most impressive

one is that of moderate-to-strong positive correlation between ICSR and EPS (+0.65). This discovery does not simply confirm the fact that socially responsible banks might be valued better, it forces reading more deeply into the reasons why this relationship is true. The role of CSR disclosures is that of trust signals in a situation where Islamic banking refers to saving and market activity where the religious authorizations are relied upon. They not only record ethical action, but they act out ethical identity in a skeptically and regulatory-fatigued environment of an open public sphere. Thereby, it can be assumed that any financial institution whose reporting on CSR activities is credible and consistent can enjoy the increased effects of the reputational capital, stakeholder loyalty, and investor perception, which all will combine to result in the increased valuation of the firm.

The fact that the relationship between return on assets (ROA) and earnings per share (EPS) is moderate and positive (0.41) is not very difficult to predict, but the latter should not be reduced to it. It also establishes the fact that profitability will still be very consequential despite being limited in line with the concepts of Islamic finance. What is especially important is the fact that ROA is not seen as the efficiency variable alone but the practical measure of managerial sanity in case the deployment of shareholders capital is determined by the ethical principles. In an Islamic context (where profit should be balanced along with religious observance), ROA is a tightrope. It is associated with high levels not only as an indicator of excellence in operation, but it can serve as an indication of a spiritual discipline in dealing with accumulated funds.

On the other hand, the poor negative correlation between governance composite score (GCG) and EPS (rs),²⁰ disputes the assumption that increased governance will automatically increase the firm value. Divergence between formal governance structure and their actual effect may provide the basis of this finding in the case of Indonesian Islamic banking industry. The value of governance rating where self-review is predominant over independent review is lost in terms of reputation. This means that such governance is likely to be seen as ritual than as substantive by the observers; the public/ society, investors and regulators therefore, compromising the institutional accountability of people and justice. One more sign to this concern is negative relationship between GCG and integrated corporate social responsibility (ICSR) (-0.12) which indicates that governance and social responsibility are defined as never-intersecting institutional aspects instead of the co-constitutive components of an ethical approach. Such compartmentalisation indicates an inside culture whereby governance is mainly legalistic and CSR discretionary, an unsettling hybrid in those institutions where the claim of moral leadership has been touted.

It is crucial that no multicollinearity exists between independent variables before embarking on the regression analysis, otherwise, the solving power of the regression is somehow neutralized.

Table 4. Multicollinearity Diagnostics: Tolerance and VIF

Variable	Tolerance	VIF
GCG	0.633	1.581
ICSR	0.940	1.064
ROA	0.605	1.652

The independent variables of the model are also statistically non-redundant as depicted by Table 3. When tolerance values are above 0.6 (which is very high) and VIF values are well below the conservative cutoff of 5 (and even the liberal cutoff of 10), it is clear that GCG, ICSR and ROA all have some distinct, non-duplicating explanatory content. This statistical independence is necessary in isolating the real effect of each construct on firm value. However, the fact that there is no multicollinearity does not imply institutional integration, only means

that these variables are independent in terms of a linear dependence and not strategic alignment. The low interrelationship between GCG and the other indicators-though useful in modeling-increases substantial concern of whether or not the Islamic banks are failing in prospective synthesis of their governance, ethical responsibility, and performance requirements. Practically, the statistical independence verified by VIF can be the sign of the stronger degree of institutional disintegration, when the key principles of Islamic finance are applied in a vacuum instead of a comprehensible ethical infrastructure.

An important last consideration prior to regression is to determine that assumptions of OLS regression are found in this dataset. Table 5 contains the residual diagnostics (the distribution, the skewness and the patterns of dispersion).

Table 5. Residual Diagnostics Summary

	Statistic	Value
Residual Mean		0.00
Skewness		0.12
Kurtosis		2.85
KS Normality Test (p)		0.095

Table 5 presents essential evidence that the regression model has well-grounded statistical. The residuals are not systematically biased and their mean is equal to zero and their skewness is insignificant (0.12), which looks like a symmetric distribution of the errors. With kurtosis of 2.85, it is nearly at the standard mark of 3, and thus a normal-tailed dispersion. The p- value of 0.095 by Kolmogorov smirnov test proves that, residual normality assumption is true and the testing of insignificance will be relevant. This scrupulous leftover layout is an indication that the model has been appropriately marked out, and also that the association amidness predictors and the heading variable is linear and homoscedastic.

However, more to the point, these diagnostics convince that the statistical beauty of the model does not emerge due to distortion of the data or misfit of the model. The regression result will mostly indicate the actual institutional tendencies, and not statistical curiosities. In this way, the basis is given to the true interpretation of the means with which the Islamic banks define governance, responsibility and financial soundness into the value that the market recognizes. This asks us to enter the inferential field as we do not so much with hesitation, as with a regulated measure of opportunity of analysis.

The tables below show the results of the multiple regression model that was developed to test the partial effect of Islamic Good Corporate Governance (GCG), Islamic Corporate Social Responsibility (ICSR), and Return on Assets (ROA) on firm value as measured by Earnings Per Share (EPS).

Table 6. Multiple Linear Regression Results

Variable	Unstandardized Coefficient (B)	Standard Error	t-value	Sig. (p-value)
Constant	167.228	21.971	7.611	0.000
GCG	-23.925	16.246	-1.473	0.148
ICSR	81.651	12.741	6.409	0.000
ROA	2.135	0.898	2.378	0.022

The regression coefficients show an interesting asymmetry in generation of value in Islamic banks. The most dramatic finding is the fact that the coefficient of ICSR is significant and large ($B = 81.651$, $p < 0.001$). This scale means that social responsibility, when credibly reported, is not simply a reputation trimmings, it is a strategic resource which has market impact. It is an indication that there is a lot of rewarding being done by stakeholders especially the investors

and the regulators towards banks that carry out open ethics promises. This observation confirms the new lines of study that reverse the view of CSR in Islamic institutions to its role as increased socio-economic risk mitigation and reputational building. Within the framework of a more critical financial environment in Indonesia, the result of the ethical stewardship practice turns out to be a repeating security of estimation of firm worth.

The ROA coefficient ($B = 2.135$, $p = 0.022$) is also significant, but it is much less in value. It validates the fact that financial performance is still important, but that impact of that determinant will be small relative to the moral-symbolic impact of CSR. This implies a structural change in valuation reasoning: profit ceased to be the only or even the main measure of the value in Islamic banking at least when the profitability is limited by financial prescriptions of the faith. We can only guess that ROA here would be more of a credibility indicator a proof of prudential management than a performance headline.

In comparison, the coefficient of GCG is negative and insignificant ($B = -23.925$, $p = 0.148$). Although this change is not significant, the negative direction is also not neglectful. What it means is governance, as evidenced and as being evaluated, is failing to create a sense of trust or add value. It is an indication of a system problem that GCG may be inward looking (i.e. emphasised more on internal control) or it does not appear enough to the stakeholders. This finding is corroborated by other criticisms that self-reported governance ratings do not have the credibility to impact investor or populist confidence (Ahmed & Haniffa, 2019). It poses an invitation to a greater examination of the way governance structures are embraced, practiced, and disseminated, particularly in establishments that have professed pure rule.

Table 6. Regression Model Fit Summary

Model Metric	Value
R	0.798
R Square	0.637
Adjusted R Square	0.611
F-statistic	24.013
Sig. (ANOVA p-value)	0.000

The model fit indicators verify the strength as well as the strategic account of the regression. An R-squared of 0.637 implies that the set of three predictors explains almost 64 percent of the variance regarding firm value (EPS). It is a substantially high number as far as a model with governance and ethical predictors is concerned that is typically characterized as weak in explaining according to the accounting or finance descriptions. It is a sign that the value of a firm in the context of Islamic banking does not result arbitrarily because of the market noise, but is structurally affected by certain organizational qualities that can be measured, regulated and reported. This assertion is strengthened by the Adjusted R-squared that is equal to 0.611 to accommodate parsimony of the models. It is in agreement that explanatory power could not be overstated due to overfitting, and every variable contributes to meaningful accuracy. Furthermore, the F-statistic of 24.013, with a p-value of less than 0.001, verifies that the regression model as a whole is statistically significant. This means the collective relationship between GCG, ICSR, and ROA with EPS is not due to random variation, but reflects a true and reliable pattern in the population of Islamic banks.

These metrics elevate the confidence we can place in subsequent interpretations. They affirm that Islamic banks do not operate in a value vacuum. Instead, they are judged, priced, and trusted based on how they institutionalize ethical behavior, disclose responsibility, and perform financial prudence all within a unique religious and economic mandate.

Table 7. Robustness Check: Regression Results without ROA

Variable	Unstandardized Coefficient (B)	Standard Error	t-value	Sig. (p-value)
Constant	145.872	23.461	6.217	0.000
GCG	-21.547	15.122	-1.424	0.162
ICSR	79.224	13.052	6.070	0.000

Table 8. Reduced Model Fit Summary

Model Metric	Value
R	0.765
R Square	0.585
Adjusted R Square	0.563
F-statistic	30.215
Sig. (ANOVA p-value)	0.000

By conducting a robustness test, we identify that the association between ICSR and firm value cannot only be significant, but also capable of withstanding a re-specification of the model. ICSR is a strong predictor even when ROA is not included in the analysis ($B = 79.224$, $p < 0.001$). This further adds to the thoughts that corporate responsibility is not about doing the job via profitability but it has meritorious valuation power on its own in the market perspective. Less poetically, shareholders and other stakeholders are not supporting socially responsible companies due to the fact that they are prosperous; they are giving them support since these disclosures themselves bear aesthetic validity and strategic validity.

The value of the GCG coefficient is negative and does not offer any significance ($B = -21.547$, $p = 0.162$) as in the entire model. The finding furthers the case that existing governance practices or measuring instruments do not add value per se, and that their signaling propensity in the market is still low or unacknowledged. Although R-squared decreases by 0.05, as well as Adjusted R-squared by 0.048, they are minimal changes and it can be seen that there is a change by only one financial performance factor. What this indicates is that the larger amount of the explanatory weight is associated with ICSR and the model has an acceptable overall fit is 30.215 ($p < 0.001$).

This robustness test, strategically, has a deeper meaning: in the Indonesian Islamic banks value architecture, profitability is not the priority over the ethical transparency. It is one of the main forces of institutional legitimacy and valuation, perhaps more stable and less fluctuating than quarterly earnings. This conclusion ought to alter the way the Islamic banks conceptualise their capital account. Value is not only created as margins in stakeholder economies today, but also as promises which can be registered, confirmed and preserved by means of public declarations of common ethical duties.

Rethinking Value Construction in Islamic Banks

The ancient banking system has no presumption that value is the by-product of compliance in the Islamic banking. It has to be proven, achieved and conveyed through a consistent scheme of moral transparency, institutional reputation and trustor consistency. What this study has found does not merely imply a shift. It requires a reorientation with respect to what Islamic banks will call valuable immediately and seriously. Interpretation of the weight of Islamic Corporate Social Responsibility in the determination of firm value as victory of communication should be regarded as a call that the institutions should talk up, not run silent. Profit itself is a consequence of this ecosystem that stakeholders will now reward, not in isolation, but as evidence of emergence of profit. This change was already foreshadowed in the literature, but the empirical support offered here raises the position of CSR disclosure beyond a reputation

trinket and into a valuation foundation block in faith-based finance. Already in recent sources, it has been demonstrated that CSR conveys more than moral ambition (Reynolds & Yuthas, 2008; Ogunfowora et al., 2018). It executes institutional identity in situations which religion and business can never be separated. In these settings, adherence to sharia in Islamic banks is not the most important thing as long as their stakeholders perceive them to be acting in the interest of the community in ways that they can support and hold them accountable.

Such shift in the logic of value sets additional requirements on leaders, particularly in banks that still regard CSR as a secondary or even a ceremonial issue. Reporting of social programs or charitable distributions on static part of annual reports is no longer enough. Modern stakeholders who have been influenced by narratives that are digitally mediated and socially embedded anticipations no longer are mere consumers of governance disclosures. They play the actors of institutional sincerity. The argument is further supported by the work in the study of Kettell (2011) who state that because the exclusive role of banks in individualizing their credibility in Islamic finance has been made rickety, it is now co-produced with their audiences as opposed to a top-down process of regulatory compliance. Along the same lines, Reynolds & Yuthas (2023) underline that it is not the number of CSR disclosures that are being paid attention to by the stakeholders, but rather their honesty, situational appropriateness and adherence to consistency. The thing those Islamic banks presently need to internalise here is the fact that the reputational capital that they generate is being gauged in real-time by communities that understand how to differentiate between a symbolic compliance and ethical content.

Depending on the magnitude of institutional legitimacy that governance is frequently promoted to be the divine source of Islamic governance, it is facing an epistemic breakdown. Its non-connection to the creation of value in this research is not some small statistical fact but a threat to the theological and regulatory suppositions which the GCG structures have been developed with. GCG failed to forecast the firm value and this raises the question about the effectiveness of the models based mostly on self-evaluation, official rankings, and regulatory imitation. Researchers such as Turabi (1987) have already cautioned that unless Islamic governance is accompanied with accountability to the citizens and alienation of authority, it will soon blend with its other traditional counterparts. This criticism is further elaborated in recent works by Manning et al. (2019), who demonstrate that in situations where governance structures exist without the involvement of stakeholder views and ethical performance measures, the concealment of their activities causes the loss of validity and power. What comes out of this is not merely how ineffective the system of governance preconceived is, but how much it is required to propose a different one that of dialogical engagements instead of bureaucratic regulation.

Even though governance has not been adding value the fact is that governance is not irrelevant. It implies that the value-sensitive governance can not be equated with the logic of compliance. The study by Vivier & Sanchez-Betancourt (2023) claims that participatory governance has now been demanded by the stakeholders as the ethical intent is linked to the institutional listening, responding and adjusting mechanisms. This shifts the governance to the relationship. Khan & Sanchez-Betancourt (2023) add to this by suggesting introducing co-governance models in Islamic financial institutions where the stakeholders, regulators, and religious authorities work together to understand both the standards and outcomes. This change requires creation of different tools of control, different types of reporting, and an absolute break with the closed-loop pattern of governance assessment experiment that is in use now. The point that Islamic banks need to appreciate is that credibility cannot be proclaimed internally. It must be granted and hence such granting is determined by the clear and conversational association between governance and the societies on which the banks boast of serving.

The question is whether profitability has also changed its role in this new triangular structure of values given that CSR has taken the place previously occupied by the issue of governance. The Return on Assets is not just the indicator of financial output. When applied to Islamic banking it is read as a proxy of prudence, management stewardship and ethical stewardship of investor funds (Yi, 2023). In the article, Mohiuddin & Siddiqui (2023) have already proven that when applied through the concept of *maqasid-al-shariah*, ROA conveys not only economic efficiency, but instead, the effective pursuit of legal and harmonious economic development. But the thing is that the significance of ROA according to this study is conditional. It only becomes viable when entrenched into ethical credibility. However, as has been indicated by Zafar et al. (2022), a high level of ROA can even lead to distrust when such levels are experienced in Islamic banks the CSR is viewed to be weak, implying that profit and purpose are mismatched. Conversely, when CSR is high the even low ROA might be interpreted as an ethical concern. That is a layered meaning of profitability, which means that ROA is no longer a key indicator. It is an indirect evidence of institutional coherence.

The impacts of this research to the institutional players in the Islamic banking are more than what can be met by the cosmetic reforms. Strategic management systems based on traditional competitive advantage paradigm will not be able to analyze the value logic unveiled here. Inefficiency in the operations of the Islamic banks is not the only cause of their poor performance. This is the reason why they are not doing so well since they remain in the stage of discoursing performance as output and not as interpretation. Stake holders do not become passive receivers of financial statements or corporate story. Their value is being increasingly constructed along a participatory ethic where an organizational identity with respect to mission is not measured by what is proclaimed, but by the logical sense of ethical action, historical practice, and relation. Such realignment of the stakeholders logic is also examined by Alam & Miah (2024), who state that it is no longer institutional credibility linked to the Islamic label, but the inference of systematic ethical compatibility. Such development makes the branding approach adopted traditionally inert unless there are visible practices of justice, inclusion, and accountability. Lehtinen et al. (2019) enhance that it is not only the expectations of the stakeholders but also their diversification. What indicates good in one situation currently betrays indication of avoidance or disengagement in the other. These changes require even the message discipline. They demand that indigenous Islamic banks comprehend the theory of appearing being judged and analyzed during the epoch of moral critique.

These results also request a change of the way scholars conceptualise Islamic financial performance. CSR, governance and profitability can no longer be thought about as linear predictors of value or as channels of input in an econometric model. This paradigm has long been criticized by researchers like De Waal et al. (2019), who divide performance into silos and conceal the fact that they all build up into an institutional reality. In one way CSR makes up for the shortcoming of governance and in another strong ROA metrics gain their legitimacy not by the size of the profits, but by the perception of how those profits were attained (Ali et al., 2024). They emphasize that when the performance is modeled without considering such interdependencies, both statistic and theoretical stagnation is the result. This paper supports their criticism and calls to move to integrative approaches that will reflect the discursive, morally, and relationally enacted performance of Islamic banks. The next step should not to add interaction terms to regressions but to re-understand performance itself in dialectical terms, or better put, to understand internal processes and external interpretation to co-constitute institutional value.

The suggestions of the regulative organizations also have no lesser urgency. The key of governance, according to compliance-driven architecture such as OJK, IFSB, and AAOIFI has to face the truth that it has surpassed its saturation point. The language of control and disclosure

has run out of the normative steam, especially when not followed by the mechanisms of public verification, independent monitoring, and the stakeholder-informed scoring. According to Yahya et al. (2023), the sharia compliance evades moral power when it works as reporting regime contrary to that of participatory accountability. In this respect, regulators will have to seize being neutral. They should decide on whether to stick to the technocracy models of governance they have followed over the years or adopt a new model of ethical assessment, which is dialogical, transparent, and relation-based. This will not imply substitution of current standards. It entails placing them in a novel environment of trust-building the one in which ethical conduct can be measured by its impact on the popular opinion, the strength of the community, and the reputation justice. This responsibility has never been lost in moral economy of Islamic finance. Its regulatory infrastructures should change to do the same as well.

Conclusion

The current research paper challenges that the way the value is communicated, interpreted and sustained in Islamic banks is related to a more sophisticated study. The empirical evidence gives a common repetitive pattern. What the stakeholders value is not only adherence to the regulatory requirements or efficiency, but a very visible way of correlating profitability to the moral purpose. In the three dimensions of Islamic Corporate Social Responsibility, Islamic Good Corporate Governance and performance metrics, the former best impacted the value of the firm in terms of a discernible influence. This finding is not to be seen as an a priori rejection of standard measures of performance, but as an indication that today such measures are being applied within a wider context of interpretation. Disclosures are examined by the stakeholders not merely in quantitative breadth but in rhetorical integrity, in the evidence of purpose, sincerity and ethical content.

As much as Return on Assets has always been an important measurement of financial soundness, it does not have to be taken with an unquestionable measure of respect anymore than it was in the earlier considerations. The provision of its firm value is dependent on supportive signals especially the disclosing of CSR. In this way, ROA intensifies the trust only with the additional element of an effective ethical story. The said dynamism unveils a sort of reconceptualisation of institutional logic: value is not a product based purely on noticeable outcomes but on an interpretation of those outcomes. More precisely, the results reveal that the configuration of values is enabled through the visibility of the process of meaning making. This can further be brought to light by the subtle implication of Islamic Good Corporate Governance. Despite the fact that governance structures might meet procedural needs they have not systemically affected stake holder perception. This judgment does not pronounce upon the usefulness of governance in itself; it just is an assertion that the instrumental decontextualisation of governance has been done away with its actual public purpose. The present-day dependence on inward looking self-evaluation mechanisms and lack of the participatory accountability systems make the overall governance and control regimes such as that of general-compliance guidelines (GCGs) only viable in the controlled environment and not in the marketplace at large. Governance can regain its relevancy only by being reframed not as a mechanism of internal assurance, but rather as a mechanism of external commitment and to be validated, should invite systematic validation.

It is also on this basis that this research does not claim to have some generalized formula of how Islamic banks achieve organizational value creation, it only wants such a lesser and practical claim. It shows that value is built rather than determined by use of ethical interpretation process. The best institutions at this process may not be the ones that perform well financially, but those ones that can explain why their performance is important in more

aspects other than the ledger. Corporate social responsibility (CSR) therefore, ceases to remain a mere strategic initiative but a dialogical initiative pertaining to a bank and the society in which it operates. Where this discourse is truthful, open and continuous, it establishes the environment in which trust is allowed to sprout. Value comes along with trust.

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