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Determinants of Sharia Bank Firm Value with Financial Performance as a Moderating Variable

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Abstract

This study examines the impact of Islamic Good Corporate Governance, Islamic Corporate Social Responsibility, Intellectual Capital, and Firm Size on Firm Value. Using a causal quantitative approach, the study analyzed 13 Islamic banking companies registered with the Indonesian Financial Services Authority (OJK) from 2019 to 2023. A purposive sampling technique resulted in a sample of 45 companies. Hypothesis testing was conducted using multiple linear regression and moderated regression analysis (MRA). The findings show that all independent variables influence Firm Value. Additionally, ROA moderates the relationship between Islamic Good Corporate Governance, Islamic Corporate Social Responsibility, and Firm Size with Firm Value but does not moderate the relationship between Intellectual Capital and Firm Value.

Keywords: IGCG, ICSR, IC, ROA, Size, Firm Value

Introduction

Indonesia's banking sector has grown significantly, leading to intense competition and more selective customers. Operating under a dual banking system, the country accommodates both conventional and Sharia-compliant banks, with regulations from Bank Indonesia and the Financial Services Authority (OJK) tailored to each model. While conventional banks remain strong, Sharia banking also shows promising prospects. Established to align with Islamic financial principles, Islamic banks prohibit riba (usury), maysir (speculation), and gharar (uncertainty), instead adopting a profit-sharing system. With continuous government support and a strong regulatory framework, Islamic banking has steadily expanded, becoming a vital part of Indonesia's financial sector.

Looking ahead, the prospects for Sharia banking in Indonesia remain optimistic, with sustained growth and further expansion expected. The enactment of Law No. 21 of 2008 on Sharia Banking has reinforced the industry's legal foundation, facilitating its accelerated development. To provide a comprehensive understanding of this progress, the subsequent section examines the expansion of Sharia banking in Indonesia over the past five years.

Data on the Growth of Total Sharia Assets in Indonesia

Source; OJK, (2023)

Data from the OJK indicate that Sharia banking in Indonesia experienced steady growth between 2017 and 2022, with total assets reaching IDR 802.26 trillion in 2022—an increase of 15.63% from the previous year. Despite this positive trend, its overall contribution to the national economy remains relatively limited, as evidenced by a market share of only 7.09% (OJK, 2022). One of the primary challenges constraining its optimal growth is the relatively low level of Sharia financial literacy among the public (Irfan, 2023).

Although the rapid expansion of Islamic banking holds significant potential to drive national economic development, its growth is hindered by several challenges. In Indonesia, Islamic banks struggle with low public awareness, intense competition from conventional banks, and limited capital that constrains their expansion. Additionally, the regulatory framework governing Sharia banking is less comprehensive than that of conventional banks, while variations in the interpretation of Sharia fatwas further complicate operations. The absence of an interest-based system also heightens liquidity risks, making financial stability more challenging to maintain. Furthermore, the industry continues to face a shortage of skilled professionals with expertise in Islamic finance, which hinders its long-term growth and competitiveness.

Firm value reflects investors' perceptions of a company's performance, primarily indicated by stock prices. Enhancing firm value is a key objective for companies, as it directly contributes to shareholder welfare. Additionally, firm value serves as a crucial reference for potential investors in making investment decisions, as it represents the company’s overall financial health and stability (Harningsih et al., 2019). The principle of Good Corporate Governance (GCG) is designed to encourage banks to operate professionally, enabling them to compete effectively with conventional financial institutions (Budiman, 2016). Research conducted by Syafitri, (2018) found a significant positive relationship between GCG and firm value. However, conflicting findings from Sulfati Andi, (2023) and Sanchia MI, (2015) suggest that GCG does not exert a significant influence on firm value.

Despite the rapid expansion of Islamic banking and its potential to drive national economic development, its growth is hindered by several structural challenges. In Indonesia, Islamic banks face intense competition from conventional banks, low public financial literacy, and limited capital, which restricts their expansion. Additionally, regulatory frameworks governing Islamic banking remain underdeveloped compared to those of conventional banks. Variations in the interpretation of Sharia fatwas further complicate operational processes, while the absence of an interest-based system increases liquidity risks. Moreover, the industry continues to suffer from a shortage of skilled professionals with expertise in Islamic finance, posing a significant barrier to sustainable growth.

Corporate Social Responsibility (CSR) reflects a company's ethical obligations toward its stakeholders, particularly the surrounding community (Hutapea & Malau, 2018). In the context of Islamic values derived from the Quran and As-Sunnah, this concept is referred to as Islamic Corporate Social Responsibility (ICSR). Research by Setiawan et al., (2019) suggests that CSR positively influences firm value, whereas findings by Salsa N., (2022) indicate that ICSR does not have a significant impact on firm value.

Furthermore, Sharia banks must enhance their Intellectual Capital (IC), as efficient IC management can improve asset utilization and increase bank returns (Indriyana Ningsih Sinurat, 2019). Research conducted by Metana & Meiranto, (2023) highlights a positive relationship between IC and firm value. However, contrasting findings from Mustika, (2021) suggest that IC does not exert a measurable effect on firm value.

Firm size (SIZE) also plays a critical role in determining firm value, as it reflects the financial strength and stability of a company. Studies by Dewi, A. S. M., & Wirajaya, (2013) and as Pantow et al., (2015) suggest that larger firms have greater access to both internal and external funding sources, which can contribute to higher stock prices. Several other studies, including those by Anjarwati, K., Chabachib, M., & Demi, (2016) have found a positive relationship between firm size and firm value. However, findings by Oktaviani et al., (2019) present a differing perspective, indicating that firm size does not significantly influence firm value.

Financial performance serves as a key indicator of a company's success in managing and evaluating its operations. Firm value, as reflected in stock prices, is shaped by market demand and supply, representing public perceptions of the company's overall performance. Numerous studies have explored the relationship between financial performance and firm value. Research by Putri & Suwitho, (2015) identified a positive effect of Return on Assets (ROA) on firm value. However, contrasting findings from Susianti Maria Ni Luh, (2013) suggest that ROA does not exert a significant influence on firm value.

Islamic banking can enhance its financial performance through the implementation of GCG principles in accordance with Islamic law, the adoption of CSR initiatives to uphold environmental and socio-economic values, and the development of intellectual capital through human resource investments to improve productivity and corporate performance. Additionally, increasing company assets (firm size) can contribute to firm value growth, further supporting Indonesia's economic development. Given these considerations, this study examines the impact of Islamic GCG, Islamic CSR, and Intellectual Capital on the firm value of Sharia banks.

Literature Review

Firm Value

An organization or company is established with the objective of maximizing firm value, according to the theory of the firm (Salvatore, 2005). Firm value reflects the state and condition of a business. The market price of a company's stock is one of the methods used to measure firm value, as it represents investors' assessment of each equity they hold (Haruman, 2008). A high stock price indicates shareholder prosperity and the well-being of the company's owners.

Islamic Good Corporate Governance

Islamic Corporate Governance (ICG) is a governance framework specifically designed for Islamic banks, based on Sharia principles. All business activities and operational processes are conducted in strict compliance with established Sharia values. Empirical studies on ICG suggest an inverse relationship between the ICG score and bank performance, indicating that a lower ICG score is associated with greater operational efficiency. When an Islamic bank operates successfully, its Bank Umum Syariah (BUS) value increases, ultimately leading to higher profitability.

Islamic Corporate Social Responsibility

Islamic Corporate Social Responsibility (ICSR) builds upon the conventional CSR framework, integrating ethical and value-driven principles rooted in Islamic teachings. The implementation of ICSR reflects a company's commitment to social responsibility, extending beyond corporate and economic interests to encompass the broader welfare of society.

Intellectual Capital

Intellectual Capital serves as a strategic approach that organizations and companies can leverage to gain a competitive advantage. It is a crucial indicator of prosperity, growth, and corporate development in the knowledge-based economy era. The effective management of intellectual assets enhances a company's financial performance while reinforcing stakeholder confidence in long-term business sustainability (Artinah & Muslih, 2011).

Firm Size

According to Joni dan Lina, (2021) firm size refers to the measurement of the total assets owned by a company. Larger firms typically possess greater assets, indicating continuous growth, which in turn attracts investors and enhances firm value.

Financial Performance

Financial performance reflects a company's financial position, which is assessed using various financial analysis tools. This evaluation offers insights into the company's overall financial health, determining whether its financial position is strong or weak over a specific period. One of the key indicators used to measure financial performance is the Return on Assets (ROA) ratio. ROA serves as a financial metric that assesses a company's profitability relative to its total assets.

The Relationship Between Islamic Good Corporate Governance and Firm Value

Islamic commercial banks are required to implement corporate governance regulations to safeguard stakeholders' financial interests while ensuring compliance with Sharia principles. Effective corporate governance enhances investor confidence and fosters investment in banks that demonstrate strong IGCG practices. The stronger the IGCG implementation, the higher the level of investor trust. Anggraini & Mariana, (2023) found that Islamic Corporate Governance has a positive and significant impact on firm value in Islamic commercial banks, indicating that IGCG contributes to enhancing firm value. Based on these findings, the study proposes the following hypothesis:

H_1; Islamic Good Corporate Governance affects firm value.

The Relationship Between Islamic Corporate Social Responsibility and Firm Value

Companies can establish strong, long-term relationships with investors by consistently fulfilling their social responsibilities. ICSR plays a crucial role in enhancing a company's stock value, particularly among Muslim investors seeking Sharia-compliant investments. The increasing demand for Sharia-compliant stocks can, in turn, contribute to higher firm value. Nurhayati & Rustiningrum, (2021) found that ICSR has a significant impact on firm value, suggesting that Islamic commercial banks with higher firm value tend to disclose greater levels of ICSR. Based on these findings, the study proposes the following research hypothesis:

H_2; Islamic Corporate Social Responsibility affects firm value.

The Relationship Between Intellectual Capital and Firm Value

Intellectual capital is a vital resource that enables companies to grow, enhance operational efficiency, and drive innovation. Strong corporate performance positively impacts both internal and external stakeholders, ultimately contributing to increased firm value. A study by Syarif Hasdir et al., (2022) found that intellectual capital has a significant influence on firm value. Effective intellectual capital management allows companies to gain deeper insights into their operational activities, optimizing performance and competitiveness. Based on these findings, the study proposes the following research hypothesis:

H_3; Intellectual capital affects firm value.

The Relationship Between Firm Size and Firm Value

Firm size refers to the scale of a company, determined by the total assets it possesses. A company with a greater volume of assets signifies higher wealth, classifying it as a larger firm. Conversely, companies with fewer assets are considered smaller in scale. Research by Isnaeni et al., (2021) found that firm size influences firm value, indicating that a larger asset base enhances investor confidence when making investment decisions.

H_4; Firm size affects firm value.

Financial Performance Moderates the Relationship Between Islamic Good Corporate Governance (IGCG) and Firm Value

IGCG consists of systems and mechanisms designed to monitor and regulate business operations. Adherence to IGCG principles enables management to enhance operational efficiency and uphold professional standards through effective oversight and control. The relationship between IGCG and firm value is indirect, as IGCG fosters optimal corporate performance, which subsequently drives profitability. Companies demonstrating strong profit growth tend to attract more investors, leading to increased investment and, ultimately, higher firm value. Based on these considerations, the study proposes the following research hypothesis:

H_5; Financial performance moderates the relationship between ICGG and Firm Value.

Financial Performance Moderates the Relationship Between Islamic Corporate Social Responsibility and Firm Value

The relationship between Islamic Corporate Social Responsibility (ICSR) and firm value is indirectly mediated by corporate reputation, which plays a crucial role in fostering stakeholder trust and strengthening market confidence. In Indonesia, where the majority of the population is Muslim, aligning corporate responsibilities with Islamic principles enhances corporate reputation, attracting consumer interest, increasing customer satisfaction, and fostering long-term loyalty. These factors collectively contribute to higher revenue and profitability. Research by Muh Hosen Bawafi, (2015) suggests that financial performance serves as a mediating factor between corporate social responsibility and firm value, indicating that companies with strong financial performance are better positioned to engage in social initiatives, ultimately enhancing firm value. Based on these considerations, the study proposes the following research hypothesis:

H_6; Financial performance moderates the relationship between ICSR and firm value.

Financial Performance Moderates the Relationship Between Intellectual Capital (IC) and Firm Value

Intellectual capital indirectly influences financial performance, as it represents the transformation and capitalization of a company's knowledge, thereby affecting Return on Assets (Agustina & Yanti, 2015). Effective management of intellectual resources enhances financial performance, which ultimately contributes to increased firm value. Dyah Ayu Dwi Lestari, (2019) found that financial performance mediates the relationship between intellectual capital and firm value. As intellectual capital is an asset derived from employees' knowledge, a highly skilled workforce strengthens financial performance, leading to higher firm value. Based on these considerations, the study proposes the following research hypothesis:

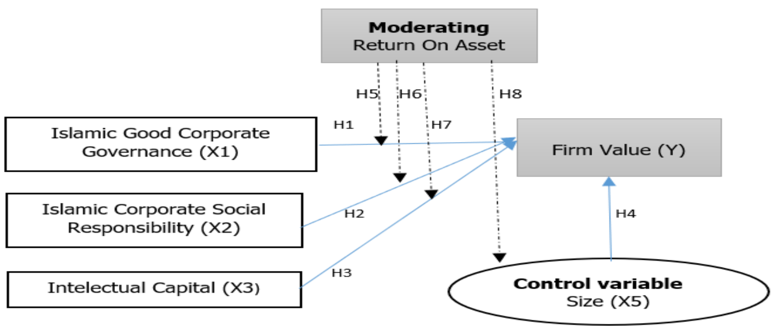
H_7; Financial performance moderates the relationship between ICand firm value.

Financial Performance Moderates the Relationship Between Firm Size and Firm Value

Financial performance serves as an indicator of a company's financial health and its ability to generate profits, which can enhance firm value and attract investor interest. Firms with strong financial performance are better positioned to create greater firm value, particularly larger firms (Faisania et al., 2023). This finding is further supported by a study conducted by Natsir & Yusbardini, (2020), which revealed that financial performance, as measured by Return on Assets, moderates the relationship between firm size and firm value. Based on this, the study proposes the following research hypothesis:

H_8; Financial performance moderates the relationship between firm size and firm value

Research Model



Method

This study utilizes secondary data in the form of financial reports, GCG reports, and Sharia banking sustainability reports from 2019 to 2023. These data were obtained from the Indonesia OJK. The research was conducted at the Financial Services Authority Office in Kupang City or accessed through the official OJK website (www.ojk.go.id), with financial, GCG, and sustainability reports downloaded from the respective companies' official websites.

The population in this study comprises all Islamic banking companies registered with OJK during the 2019–2023 period, totaling 13 Islamic banks. The study employed purposive sampling with the following selection criteria: (a) Islamic commercial banks registered with OJK, (b) Islamic commercial banks that had published Annual Reports and ICG reports, and (c) Islamic commercial banks that provided the necessary data for variable measurement.

Based on these criteria, 9 Islamic banking companies met the requirements, resulting in a total of 45 observations over the five-year study period (2019–2023).

Research Variables

Research Variable	Measurement Indicator
Islamic Good Corporate Governance (IGCG)	In line with Bank Indonesia Circular No. 12/13/DPbS of 2010 concerning the Implementation of GCG in Sharia Commercial Banks (BUS) and Sharia Business Units (UUS), which is supplied in the GCG implementation report of each BUS, ICG is calculated using the composite score from self-assessment results.
Islamic Corporate Social Responsibility (ICSR)	Content analysis results are used to obtain the ICSR score, applying a dichotomous approach, where a score of 1 is given if the component is disclosed, and 0 if not. The ICSR disclosure level is calculated as follows: $ICSR\ Index = \frac{Points\ Disclosed}{Maximum\ Score}\ x\ 100\%$
Intellectual Capital (IC)	IC is measured using the Islamic Banking Value Added Intellectual Coefficient (iB-VAICTM).
Firm Value (NP)	$EPS = \frac{Net\ Income}{Shares\ Outstanding}$
Financial Performance	$ROA = \frac{Net\ Income}{Total\ Assets} X\ 100\%$
Size	Size = log (Assets)

Source; Data processed, (2024)

In order to ascertain the impact of independent variables on the dependent variable, the data analysis methodology in this study starts with descriptive statistical analysis, then moves on to traditional assumption tests (autocorrelation, heteroscedasticity, and multicollinearity tests), and finally, hypothesis testing.

Hypothesis testing was conducted using multiple linear regression analysis without moderation and multiple regression analysis with the inclusion of a moderating variable. The model used in this study was multiple regression analysis (Moderating Regression Analysis).

Research Results

Classical Assumption Test

Results of Classical Assumption Testing

	Normality	Autocorrelation	Multicollinearity	
			Tolerance	VIP
Asym-p.Sig (2-tailed)	.693[cd]			
D-W		.919		
IGCG			.884	1.132
ICSR			.826	1.211
IC			.975	1.045
ROA			.911	1.098
SIZE			.874	1.180

Source; Processed SPSS Data Results, (2024)

The Kolmogorov-Smirnov normality test results, as shown in Table [X], indicate that the data is normally distributed, with a significance value of 0.693 (> 0.05). Additionally, the multicollinearity test confirms no multicollinearity, as all tolerance values exceed 0.10 and VIF values remain below 10.

In this study, the autocorrelation test used the Durbin-Watson method, where if (4 - d) > du, autocorrelation is absent. With a d value of 0.919, (4 - 0.919) > 1.7762, or 3.081 > 1.7762, indicating no autocorrelation. The heteroscedasticity test results show that the regression model is free from heteroscedasticity, as the scatterplot graph exhibits no specific pattern, with points evenly dispersed above and below the Y-axis.

Multiple Linear Regression Analysis

Results of Multiple Linear Regression Testing

Model	Unstandardized Coefficients		T	Sig
	B	Std. Error		
1 (Constant)	-8.377	10.579	3.912	.486
IGCG	-13.679	1.840	-7.237	.000
ICSR	41.302	11.052	3.534	.001
IC	.157	.063	2.489	.017
Size	1.134	.0278	3.972	.000
Adjusted R Square				.983
F				6.187
Sig				.000

Source; Processed SPSS data results, (2024) Based on the test results, the regression model equation is formulated as follows: NP = -8.377 – 13.679 IGCG + 41.302 ICSR + 0.157 IC + 1.134 SIZE (Regression 1).

The multiple linear regression analysis using the t-test indicates that the IGCG variable has no significant effect on firm value, whereas the ICSR, IC, and size variables have a significant effect. The ICSR variable has a t-value of 3.534 with a significance level of 0.01 (< 0.05), the IC variable has a t-value of 2.489 with a significance level of 0.017 (< 0.05), and the size variable has a t-value of 3.927 with a significance level of 0.00 (< 0.05). The adjusted R-squared value of the regression model is 98.3%, indicating that the independent variables IGCG, ICSR, IC, and size explain 98.3% of the variation in firm value, while the remaining 1.7% is influenced by other factors not included in this study.

Regression Analysis Using Moderation (MRA)

Results of Regression Test with MRA

Model	Unstandardized Coefficients		T	Sig
	B	Std. Error		
(Constant)	12.388	2.228	5.560	.000
IGCG.ROA	-4.194	1.068	-3927	.000
ICSR.ROA	6.783	2.401	2.824	.356
IC.ROA	.029	.031	.934	.007
Size.ROA	.262	.110	2.375	.022
Adjusted R Square				.548
F				4.293
Sig				.000

Source; SPSS data processing results, (2024)

Based on the test results, the moderated regression equation is; NP = 12.388 – 4.194 IGCG.ROA + 6.783 ICSR.ROA + 0.29 IC.ROA + 0.262 SIZE.ROA (Regression 2). The MRA results show that ROA significantly moderates the effects of IC and size on firm value but does not moderate the effect of ICSR. While ROA also influences the IGCG-firm value relationship, this effect is not significant. The adjusted R-squared value of 0.546 indicates that the model explains 54.8% of firm value variation, with the remaining 45.2% influenced by other factors.

Discussion

Islamic Good Corporate Governance's Effect on Firm Value

The partial test results indicate that IGCG has a t-value of -7.237 with a significance level of 0.000, suggesting a positive but statistically insignificant effect on firm value. However, the continuous improvement in IGCG implementation from 2019 to 2023 has strengthened governance principles in Indonesia's Sharia Commercial Banks, enhancing stakeholder confidence. These findings align with research by Syafitri, (2018) and and Utami & Yusniar, (2020) which emphasize the role of corporate governance in shaping firm value. Although the direct impact of IGCG is limited, its indirect contribution remains crucial through compliance with regulations, best practices, and comprehensive governance assessments.

Islamic Corporate Social Responsibility's Effect on Firm Value

The partial test results for the ICSR variable show a t-statistic value of 3.534 with a significance level of 0.01, indicating that ICSR has a significant effect on firm value. This suggests that broader ICSR disclosure in Sharia banking positively influences firm value by strengthening investor trust. The consistent increase in ICSR disclosure levels among Indonesian Sharia banks from 2019 to 2023, exceeding 50% based on the established disclosure index, has played a key role in this process.

These findings align with those of Sulfati Andi, (2023) who also observed a positive relationship between ICSR and firm value. The consistency of these results with prior research indicates that comprehensive CSR disclosure reflects a company's ability to manage CSR funds effectively while ensuring social justice objectives. These commitments, including environmental, social, and stakeholder responsibilities, reinforce investor confidence, ultimately enhancing firm value.

Intellectual Capital's Effect on Firm Value

The partial test results indicate that intellectual capital significantly enhances firm value in Indonesian Sharia Commercial Banks, as shown by a t-statistic of 2.489 and a significance level of 0.017. These findings align with the resource-based theory, which emphasizes that companies gain a competitive advantage by effectively utilizing intellectual capital, including human, structural, and relational capital (Alfandi & Riharjo, 2017). Firms with strong intellectual capital attract positive investor perceptions, leading to increased firm value (Indraijaya, 2015). Similar conclusions were drawn by Metana & Meiranto, (2023) confirming the positive impact of intellectual capital on firm value.

The consistency of these findings with previous research underscores the critical role of intellectual capital as a key corporate asset. Companies with strong intellectual capital can drive innovation, adapt to business changes, and create added value. In the context of Islamic banking, effective management of intellectual capital enhances operational efficiency, improves financial performance, and strengthens firm value in the eyes of stakeholders.

Size's Effect on Firm Value

The partial test results indicate that company size significantly enhances firm value in Indonesian Sharia Commercial Banks, as evidenced by a t-statistic of 3.972 and a significance level of 0.000. Larger companies have better access to capital markets and attract more investors, while their higher asset values improve profit generation, leading to increased dividends and stronger investor confidence. These findings align with research by Adhyasta & Sudarsi, (2023) which also confirms the significant effect of company size on firm value.

Consistent with previous studies, these results suggest that firms with larger asset bases are perceived as more stable and financially secure, making them more attractive to investors. This increased investor confidence indirectly contributes to higher firm value, reinforcing the crucial role of company size in determining financial performance.

Financial Performance Moderating the Relationship Between Islamic Corporate Governance (IGCG) and Firm Value

The test results show that ROA significantly moderates the relationship between Islamic Corporate Governance (IGCG) and firm value, with a t-statistic of -3.927 and a significance level of 0.000. A higher ROA strengthens this relationship, while weak financial performance reduces its effect. Effective Sharia banking management is reflected in an average ROA above 1.5%, which is considered a strong financial indicator. Proper IGCG disclosure fosters investor trust, leading to more efficient operations and improved financial outcomes. These findings align with research by Sari & Khuzaini, (2022) and Nopita, (2024) which emphasize the role of financial performance in linking corporate governance to firm value.

The consistency of these findings with prior studies highlights that strong financial performance supports effective corporate governance, enhances profitability, and increases investor confidence. This, in turn, attracts greater investment inflows and contributes to firm value growth.

Financial Performance Moderating the Relationship Between Islamic Corporate Social Responsibility (ICSR) and Firm Value

The test results indicate that ROA does not moderate the relationship between ICSR and firm value, as shown by a t-statistic of 2.824 and a significance level of 0.356. This suggests that suboptimal profitability may limit a company's ability to fund ICSR initiatives effectively, reducing their impact on firm value despite Sharia banks disclosing over 50% of ICSR related items. These findings align with research by Utaimi & by Utami & Yusniar, (2020) and Nopitaì, (2024) which also found no moderating effect of ROA on ICSR and firm value. The consistency with prior studies suggests that weak financial performance may hinder CSR resource allocation, leading to lower investor confidence and a diminished influence on firm value.

Financial Performance Moderating the Relationship Between Intellectual Capital (IC) and Firm Value

The test results indicate that ROA moderates the relationship between intellectual capital (IC) and firm value (NP), with a t-statistic of 0.934 and a significance level of 0.007, highlighting the crucial role of financial performance in shaping this impact. Effective management of intellectual resources and financial assets enhances profitability, thereby strengthening firm value. These findings align with Lestari, (2023) and previous research emphasizing the contributions of human capital (HC), structural capital (SC), and relational capital (RC) to financial performance. Companies that efficiently utilize these intellectual capital components tend to achieve higher profitability, ultimately leading to increased firm value.

Financial Performance Moderating the Relationship Between Size and Firm Value

The test results indicate that ROA moderates the relationship between firm size and firm value, with a t-statistic of 2.375 and a significance level of 0.022, highlighting the critical role of financial performance in this relationship. Profits generated from effective asset utilization in Sharia banking contribute to asset growth, thereby enhancing firm value. These findings align with Natsir & Yusbardini, (2020) who also confirmed ROA's moderating effect on firm size and firm value. Efficient asset management enables firms to expand their asset base, strengthen financial performance, and ultimately increase firm value.

Conclussion

This study concludes that the effective implementation of Islamic Good Corporate Governance, broader disclosure of Islamic Corporate Social Responsibility, proper management of Intellectual Capital, and an increase in firm size (measured by assets) collectively contribute to enhancing firm value in Indonesia’s Islamic Commercial Banks. Additionally, financial performance (ROA) moderates the relationship between Islamic Good Corporate Governance, Intellectual Capital, and Firm Size with firm value, suggesting that these factors have a stronger impact when Islamic banks demonstrate robust financial performance. However, financial performance does not strengthen the relationship between ICSR and firm value, likely due to the suboptimal profitability of Islamic banks.

Recommendations

Islamic banking companies in Indonesia can enhance their firm value by fully implementing GCG principles and ensuring that self-assessment evaluations drive meaningful improvements. Additionally, increasing transparency in ICSR disclosure and allocating more CSR funding can maximize stakeholder benefits. Lastly, optimizing the utilization of intellectual capital a key asset for Islamic banks can strengthen financial performance and, in turn, increase firm value when managed effectively.

Limitations and Future Research

This study has several limitations that future research should address. First, the sample was restricted to Islamic banking companies, excluding other Sharia-based businesses. Future studies could broaden the scope to include Islamic insurance companies, cooperatives, and other Sharia-compliant enterprises. Second, additional variables should be explored to provide a more comprehensive analysis of firm value. While this study focused on IGCG, ICSR, Intellectual Capital, Firm Size, and ROA, other factors such as product and service innovation or digital technology adoption may also play a significant role in influencing firm value.

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