

THE MEDIATING EFFECT OF SHARIA COMPLIANCE ON THE RELATIONSHIP BETWEEN GOOD CORPORATE GOVERNANCE, CORPORATE SOCIAL RESPONSIBILITY, AND FINANCIAL PERFORMANCE IN INDONESIAN ISLAMIC BANKS

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ABSTRACT

This research aimed to explore the impact of Good Corporate Governance (GCG), Corporate Social Responsibility (CSR), and Sharia Compliance (SC) on the Financial Performance of Islamic Commercial Banks (ICBs) in Indonesia, with Financial Performance measured by Return on Asset (ROA) during the period 2018 to 2023. This article uses quantitative research, utilizing data from annual reports extracted from the annual reports of 14 Islamic Commercial Banks in Indonesia. The Sampling technique used is purposive sampling, and the analysis technique used in this study is multiple linear regression analysis. The findings demonstrate that GCG positively and significantly influences Sharia Compliance, while CSR does not affect Sharia compliance. Furthermore, the result showed that GCG has a positive effect on ROA. While CSR has no effect. Also, results showed that SC has a positive effect on ROA. The result of the mediation test using Sobel analysis showed that SC could mediate the relationship between GCG and ROA, while SC does not mediate CSR and ROA. This study is limited to Indonesian Islamic banks listed on the Indonesia Stock Exchange (IDX) from 2018 to 2023. The coefficient of determination ranges from 0.127 in model one to 0.095 in model two, indicating that numerous factors influencing Sharia compliance and Return on Assets remain unexamined in this study and offer opportunities for future research.

Keywords: Good Corporate Governance, Corporate Social Responsibility, Sharia Compliance, Financial Performance, Return on Asset, Islamic Commercial Banks Indonesia

A. INTRODUCTION

The development of Islamic banks in the current era of globalization makes each Islamic Bank company strive to improve or develop the potential of the company. Increasingly strong and competitive competition forces each Islamic bank to improve operational efficiency. In addition, effective and efficient management is the key to the survival of ICB operations in the future. Islamic commercial banks (ICB) in Indonesia are experiencing significant development by dominating the Islamic financial sector, especially the national banking industry. This development also encourages competition between Islamic commercial banks (Najihah, 2020). This is seen from the Sharia Commercial Bank (ICB) operating in Indonesia