JIEFeS

Journal of Islamic Economics and Finance Studies

Volume 6, No. 2 (December, 2025), pp. 361-375
DOI. http://dx.doi.org/10.47700/jiefes. v6i2.12063

ISSN 2723 - 6730 (Print)
ISSN 2723 - 6749 (Online)

Enhancing Company Value in Islamic Banking: The Interplay of Corporate Social Responsibility and Financial Performance

Andi Triyawan*
Islamic Economics Department, Faculty of Economics and Management, University of Darussalam Gontor, Ponorogo, Indonesia
anditriyawan@unida.gontor.ac.id

Suryawiastarani
Islamic Economics Department, Faculty of Economics and Management, University of Darussalam Gontor, Ponorogo, Indonesia
suryawiastar3085@mhs.unida.gontor.ac.id

Adamu Abubakar Muhammad
Federal University of Kashere Gombe State, Nigeria
aamuhammad@fukashere.edu.ng

**Corresponding author*

Received: 29 July 2025 | Revised: 9 December 2025 | Published: 31 December 2025

Abstract

Corporate Social Responsibility (CSR) is a crucial factor influencing firm value, significantly impacting profitability, corporate valuation, and financial performance across various sectors. The relationship between CSR, financial performance, and firm value often follows a U-shaped pattern, where initial CSR investments may incur costs but lead to greater long-term benefits through enhanced stakeholder trust. In Sharia-compliant financial institutions, the integration of CSR governance is increasingly important due to evolving market expectations. This study investigates the effects of CSR and financial performance on firm value in Sharia-compliant banks listed on the JII70 index from 2020 to 2023. Using a quantitative descriptive design, the research analyzes a purposive sample of three Islamic banks over four years, utilizing secondary data from annual reports and sustainability disclosures. The findings reveal that CSR and financial performance together explain 78% of the variation in firm value, underscoring the importance of robust CSR implementation for optimizing firm valuation. CSR and FP don't affect company value much separately. However, they are significant affect when combined (F-test).

Keywords: CSR; Company Value; Financial Performance; Islamic Banking

Abstrak

Tanggung Jawab Sosial Perusahaan (CSR) memiliki peran penting dalam membentuk nilai perusahaan, terutama pada lembaga keuangan syariah yang menekankan aspek etika dan sosial. Penelitian ini bertujuan untuk menganalisis pengaruh CSR dan kinerja keuangan terhadap nilai perusahaan pada bank syariah yang terdaftar dalam indeks JII70 selama periode 2020–2023. Metode yang digunakan adalah deskriptif kuantitatif dengan menganalisis data sekunder dari laporan tahunan dan laporan keberlanjutan tiga bank syariah terpilih. Hasil penelitian menunjukkan bahwa CSR dan kinerja keuangan secara bersama-sama mampu menjelaskan 78% variasi nilai perusahaan. Temuan ini menunjukkan bahwa penerapan CSR yang kuat, didukung kinerja keuangan yang baik, secara signifikan dapat meningkatkan valuasi perusahaan. Studi ini menegaskan pentingnya integrasi CSR dalam manajemen strategis, khususnya bagi institusi keuangan syariah yang ingin memperkuat *kepercayaan pemangku kepentingan dan pertumbuhan jangka panjang. CSR dan FP tidak banyak memengaruhi nilai perusahaan secara terpisah. Namun, keduanya mempengaruhi valuasi perusahaan ketika digabungkan (uji F).*

Kata kunci: *CSR; Nilai Perusahaan; Kinerja Keuangan; Perbankan Syariah.*

INTRODUCTION

Corporate Social Responsibility (CSR) is widely recognized as a critical determinant of firm value. A substantial body of empirical research demonstrates that the implementation of CSR initiatives significantly influences profitability, firm valuation, and overall financial performance across industries and regions. For example, Najam (2025) shows that effective CSR practices not only enhance profitability but also increase firm value, underscoring the strategic importance of CSR in achieving sustainable business performance. Similarly, Wang et al (2021) find that robust CSR governance contributes significantly to improved financial outcomes.

When strategically implemented and credibly reported, CSR activities can positively affect corporate profitability, firm value, and financial performance. This relationship is supported by empirical evidence from various sectors. Franco et al. (2020), for instance, examine the hotel industry and identify a U-shaped relationship between CSR, financial performance, and firm value, suggesting that while initial CSR investments may impose short-term costs, they yield substantial long-term benefits as stakeholder trust and relationships strengthen. Likewise, Yang & Baasandorj (2017) demonstrate that both full-service and low-cost airlines benefit from CSR engagement, although the magnitude of these benefits varies depending on firm size and the nature of CSR initiatives.

As the financial sector continues to evolve, Sharia-compliant financial institutions have increasingly acknowledged the importance of CSR governance and its effective implementation. Within the banking industry, CSR engagement has been shown to enhance firm value by strengthening long-term reputation and competitiveness (Franco et al., 2020). In Islamic financial institutions, CSR implementation supports stronger financial and Sharia compliance, improves operational sophistication, and facilitates integration with international financial markets (Mollah et al., 2017). Moreover, CSR practices in Islamic banks particularly in Indonesia are closely linked to socio-economic development and have the potential to enhance both institutional credibility and profitability.

The relationship between CSR, financial performance, and firm value has long attracted scholarly attention. Empirical studies generally report a positive long-term association between CSR implementation and key indicators of financial performance and firm value. These findings suggest that CSR contributes to firm value by enhancing corporate reputation, strengthening stakeholder relationships, mitigating risks, and fostering innovation (Huang et al., 2020; Zhang et al., 2025). Supporting this view, Homayoun et al., (2023) and Babajee et al., (2022) provide evidence that CSR initiatives improve both profitability and firm value through mechanisms such as reputation building, stakeholder reciprocity, risk reduction, and enhanced innovation capacity (Vishwanathan et al., 2020).

However, not all studies find a positive or causal relationship between CSR and financial performance. Some research reports neutral or insignificant effects of CSR on firm value (Coelho et al., 2023; Dakhli, 2022; and Sudarman et al., 2025). These mixed findings are often attributed to methodological limitations, including inadequate control for confounding factors such as research and development investment, which may bias results. Consequently, the empirical literature has not reached a definitive consensus on the direction or strength of the CSR firm value relationship. Evidence suggests that the impact of CSR may vary according to firm-specific characteristics, such as company size (Fiana & Endri, 2025), as well as the type and scope of CSR initiatives undertaken (Nguyen et al., 2021). Accordingly, existing studies draw on theoretical frameworks including stakeholder theory, legitimacy theory, and signaling theory to explain the complex relationship between CSR, financial performance, and firm value.

Despite the extensive literature on CSR, financial performance, and firm value, relatively few studies examine these relationships from an Islamic perspective, particularly within the Islamic banking sector. This gap presents an important opportunity for further research. Insights derived from analyzing CSR and financial performance in an Islamic context may offer valuable contributions not only to Islamic banking but also to other Sharia-compliant sectors (Al-Malkawi & Javaid, 2018). Such research can support the development of a more holistic and values-based CSR framework aligned with Islamic principles, while advancing understanding of sustainable CSR practices (Razali et al., 2021).

Accordingly, this study aims to contribute by providing recommendations for firms and investors on the strategic integration of CSR with Islamic values. In addition, it seeks to offer policy-relevant insights for regulators and policymakers to encourage the adoption of CSR practices that align with Islamic principles, particularly among organizations operating within Sharia-compliant frameworks.

LITERATURE REVIEW

Company Value

Company value is a critical measure that reflects a firm's overall worth and its ability to generate future profits, often assessed through various financial metrics such as market capitalization, return on equity (ROE), and economic value added (EVA). Recent studies emphasize the importance of integrating corporate social responsibility (CSR) into business strategies, as effective CSR practices can enhance firm reputation and stakeholder trust, ultimately leading to increased company value (Harrison et al., 2019; Wang et al., 2021). Additionally, financial performance indicators, including return on assets (ROA) and net profit margin (NPM), are essential in determining company value, as they provide insights into operational efficiency and profitability (Chen et al., 2022; Gangi et al., 2019). The role of management quality and corporate governance has also been highlighted as significant factors influencing company value, with strong governance structures correlating with better financial performance (Alhassan et al., 2021). Furthermore, the impact of market conditions and investor sentiment on company valuation cannot be overlooked, as these external factors can significantly affect stock prices and perceived value (Liu et al., 2019). Overall, understanding company value requires a comprehensive approach that considers both financial metrics and non-financial factors, including CSR and stakeholder engagement, to foster sustainable growth and enhance long-term profitability (Kim & Yoo, 2022).

Finansial Performance

Financial performance is a crucial indicator of a company's operational efficiency and profitability, reflecting its ability to generate revenue and manage expenses effectively. It is typically assessed through various metrics, including return on assets (ROA), return on equity (ROE), and net profit margin (NPM), which provide insights into a firm's financial health and operational success Gangi et al., 2019). Recent studies emphasize the importance of financial performance in driving company value, as strong financial results can enhance investor confidence and attract capital (Alhassan et al., 2021; Boubakri et al., 2020). Additionally, the relationship between financial performance and corporate governance has been highlighted, with effective governance structures positively influencing financial outcomes (Burki et al., 2024; Liu et al., 2019). Furthermore, external factors such as market conditions and economic fluctuations can significantly impact financial performance, underscoring the need for companies to adapt their strategies accordingly (Harrison et al., 2019). The integration of sustainability practices into financial strategies has also been shown to enhance financial performance, as consumers increasingly favor socially responsible companies (Z. Wang & Sarkis, 2017). Overall, understanding financial performance requires a comprehensive approach that considers both quantitative metrics and qualitative factors, enabling firms to achieve sustainable growth and long-term success.

Corporate Social Responsibility

Corporate Social Responsibility (CSR) has increasingly become a strategic priority for firms aiming to enhance their sustainability, stakeholder engagement, and overall performance. Recent studies emphasize CSR as a multidimensional construct encompassing environmental, social, and governance (ESG) aspects that contribute to long-term business success (Z. Wang & Sarkis, 2017). Empirical evidence suggests that effective CSR initiatives positively impact corporate financial performance by strengthening reputation, customer loyalty, and operational efficiency (Izadi et al., 2025). The rise of ESG considerations within CSR frameworks reflects a broader shift towards integrating sustainability in core business strategies, aligning firm goals with societal expectations (Mollah et al., 2017). However, research also identifies challenges in measuring CSR’s true impact, largely due to inconsistent reporting standards and varied conceptual definitions across industries. Corporate governance plays a crucial moderating role, improving the efficacy of CSR activities by ensuring accountability and transparency (Carroll, 2021; Z. Wang & Sarkis, 2017). Furthermore, sector-specific studies highlight how CSR practices must be tailored to contextual factors, such as cultural norms and regulatory environments, influencing their outcomes (Gangi et al., 2019). Overall, the contemporary literature underscores the importance of rigorous, context-aware research to fully unravel CSR's potential in advancing sustainable and ethical business practices.

RESEARCH METHOD

This study employs a quantitative research design to examine the influence of Corporate Social Responsibility (CSR) and financial performance on company value, using secondary data sourced from the annual reports of Indonesian Sharia banking institutions listed in the Jakarta Islamic Index 70 (JII70) during 2020–2023. Data were collected through a library research approach and analyzed using Panel data Regression and econometric procedures in EViews 4.0. The population consists of 70 Islamic banking companies in the JII70 index, from which a purposive sampling technique was applied to select the sample based on predetermined criteria. This methodological framework enables robust hypothesis testing and provides objective, measurable evidence on how CSR and financial performance contribute to variations in company value.

RESULTS AND DISCUSSION

In Indonesia, sharia banking has recently shown significant development. Islamic banking has become one of the sectors contributing the most to economic growth. According to reports from Standard Dinar and Salaam Gateway, Indonesia's Global Islamic Economy Indicator (GIEI) score reached 80.1 points in 2023. Specifically, in the sharia financial sector, Indonesia achieved a score of 93.2 points and ranked seventh.

The 2023 State of Global Islamic Economy (SGIE) report, in its tenth edition, provides an annual update on the Islamic economy, covering halal products, Islamic finance, and lifestyle sectors and services. Indonesia ranks 3rd out of 81 countries in the global sharia economy and finance sector. It can be concluded that the sharia economy in Indonesia is experiencing rapid development, particularly in the field of sharia finance. According to the evaluation and implementation results of the Free Float JII70 Index, as stated in the BEI announcement No. Peng-00270/BEI.POP/11-2023 dated November 29, 2023, 70 company shares are listed on the JII70 Index. Among these, three financial companies are registered: Bank Syariah Indonesia Tbk, Bank BTPN Syariah Tbk, and Bank Aladin Syariah Tbk.

The researcher will discuss the results of the analysis on the influence of CSR and financial performance on company value in banking companies listed on the JII70 Index for the 2020–2023 period. The method used in this study is panel data linear regression, which aims to examine the relationship between variables through the presentation of time-series data. The analysis is based on secondary data obtained from the annual reports and sustainability reports of the relevant companies. The detailed values obtained are as follows:

Table 1. Variables Values of Time Series Data

CROSS SECTION		PERIOD	CSR	ROA	TOBIN'S Q
			X1	X2	Y
Indonesian Sharia Bank	PRICE	2020	0.402	1.380	0.581
		2021	0.359	1.610	0.516
		2022	0.650	1.980	0.451
		2023	0.641	2.350	0.506
BTPN Syariah Bank	BTPS	2020	0.641	7.160	2.108
		2021	0.658	10.720	1.671
		2022	0.684	11.430	1.175
		2023	0.701	6.340	0.713
Aladin Syariah Bank	BNS	2020	0.444	6.190	15.380
		2021	0.401	8.810	61.824
		2022	0.325	10.850	37.545
		2023	0.419	4.220	27.905

Statistic Descriptive

The data on corporate social responsibility (CSR), financial performance, and company value mentioned above can be processed using EVIEWS and descriptive statistics to produce the following results:

Table 2. Result of Descriptive Statistical Analysis

Varible	Number of Samples	Mean	Maximum	Minimum
Tobin's Q	12	12.53158	61.82400	0.451000
CSR	12	0.526917	0.701000	0.324000
ROA	12	6.086667	11.43000	1.380000

Source: E-Views output 2, data processed

As shown in Table 2 above, the total data for all variables is 12. The average Tobin's Q value is 12.53158 across all three companies over the four-year period, with a minimum value of 0.451000 for BRIS in 2022 and a maximum value of 61.82400 for BNS in 2021. The CSR value ranges from 0.324000 for BNS in 2022 to 0.701000 for BTPS in 2023, with an average value of 0.526917 across all three companies over the four-year period. The average ROA value is 6.086667, with a minimum value of 1.380000 for BRIS in 2020 and a maximum value of 11.43000 for BTPS in 2022.

Model Selection

Three distinct estimation methods in panel data regression—namely, the common effect model, the fixed effect model, and the random effect model—are widely employed. To determine the most suitable estimation method for panel data regression, two tests were conducted: the Chow test and the Hausman test. The following outlines the decision-making process in selecting the appropriate model for panel data regression.

Table 3. Common Effect Model (CEM), Fixed Effect Model (FEM) and Random Effect Model (REM) Panel Data Regression Results

Variable	Information	CEM	FEM	REM
CSR	Coefficient	-91.10187	-96.40596	-91.10187
	Probability	0.0151	0.8224	0.0049
ROA	Coefficient	2.451335	2.009454	2.451335
	Probability	0.0653	0.2895	0.0288
	R-Square	0.566383	0.780079	0.566383
	F-Statistic	5.877816	6.207390	5.877816
	Prob (F-Statistic)	0.023280	0.018607	0.023280

Source: E-Views output 14, data processed

The table above presents the results of the three estimation methods: CEM, FEM, and REM. A coefficient value of -91.10187 indicates a negative effect on the CSR variable, with a probability of 0.0151. Conversely, a positive coefficient value of 1.168413, with a probability of 0.0653, is observed for the ROA variable in the CEM estimation. Additionally, the F-statistic value is 5.877816, with an R-Square value of 0.566383 and a Prob(F-Statistic) value of 0.023280.

The results of the FEM estimation show that the coefficient value of -96.40596 indicates a negative effect on the CSR variable, with a probability of 0.8224. Conversely, a positive coefficient value of 2.009454 is observed for the ROA variable, with a probability of 0.2895. Additionally, the F-statistic value is 6.207390, with an R-Square value of 0.780079 and a Prob(F-Statistic) value of 0.018607.

Another result, the REM estimation, shows that the coefficient value of -91.10187 indicates a negative effect on the CSR variable, with a probability of 0.0049. Conversely, a positive coefficient value of 2.451335 is observed for the ROA variable, with a probability of 0.0288. Additionally, the F-statistic value is 5.877816, with an R-Square value of 0.566383 and a Prob(F-Statistic) value of 0.023280.

Chow Test

In the Chow test, the Common and Fixed Effect models are selected. The selection results are obtained from the cross-section values in the Chow test table. If every unit exhibits the same behavior is sometimes considered unreasonable. The following are the hypotheses for the Chow test:

Ho : Common Effect Model

Ha : Fixed Effect Model

Criterion:

If the Chi-Square cross-section value is greater than 0.05, then H_0 is accepted. If the Chi-Square cross-section value is less than 0.05, then H_1 is accepted.

Table 4. Chow Test Results

Effects Test	Statistic	d.f.	Prob.
Cross-section F	3.400923	(2,7)	0.0929
Cross-section Chi-Square	8.146707	2	0.0170

Source: E-Views output 14, data processed

In the table above, the Chi-Square cross-section probability value is 0.0170, which is less than 0.05 (5%), indicating that H_1 is accepted and H_0 is rejected. Therefore, the Fixed Effect Model is selected for performing the panel data regression estimates. The Fixed Effect Model is the preferred option, as seen from the Chow test results. Before performing the test, we must conduct the Hausman test to choose between the Fixed Effect Model and the Random Effect Model.

Hausman Test

It is believed that the Hausman test can be used to compare the Fixed Effect Model and the Random Effect Model (explanation of the Hausman Test). The following procedures are followed when testing the hypotheses:

Ho : Common Effect Model

Ha : Fixed Effect Model

Criterion:

H_0 is accepted when the Sig value is greater than 0.05, and H_0 is rejected when the Sig value is smaller than 0.05.

Table 5. Hausman Test Results

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section Random	6.845441	2	0.0326

Source: E-Views output 14, data processed

According to Table 6, the Sig value is 0.0326, which is lower than 0.05 (less than 5%), obtained from the random cross-section probability value. The explanation of the hypothesis shows that H_0 is rejected, so the model that can be selected is the Fixed Effect Model.

Result of Estimation with Selected Model

According to the Chow and Hausman tests, it was found that the Fixed Effect Model is the most suitable model for panel data regression analysis. Using the Fixed Effect Model, the results of the regression are as follows:

Table 6. Fixed Effect Model (FEM) Regression Results

Variable	Coefficient	t-statistic	Probability	Decision
CV (Y)	5.265381	0.206029	0.8426	
CSR (X1)	-9.429732	-0.227835	0.8263	Ho Accepted
FP (X2)	2.010582	1.146554	0.2892	H1 Accepted
R-Squared	0.780007			
F-Statistic	6.204796			
Prob(F-Statistic)	0.018627			

Source: E-Views output 14, data processed

In the regression model, calculations are made between the dependent variable (Company Value) and the independent variables (CSR and Financial Performance), based on the results of the Fixed Effect Model as shown in Table 4.7, as follows:

$$CV_{it} = 5.27 - 9.43CSR_{it} + 2.01FP_{it} \tag{1}$$

Information:
CV = Company Value
CSR = Corporate Social Responsibility
FP = Financial Performance
i = 3 Islamic Bank Company's listed on JII70
t = The research period is from 2020-2023

This can be explained using the previously mentioned regression equation:

CV_{it}: This represents the company value for a specific Islamic bank at a certain time (t). This value is predicted based on the independent variables present in the model.

5.27: This is the constant (intercept) of the regression model. This value indicates the estimated company value when CSR and FP are both zero. In this context, if there is no contribution from CSR and FP, the company value is estimated to be 5.27.

$-9.43CSR_{it}$: This is the coefficient for the CSR (Corporate Social Responsibility) variable. The negative coefficient (-9.43) indicates that an increase in CSR, assuming other variables remain constant, will decrease the company value. This suggests that in the context of this research, initial investments in CSR may not directly contribute positively to the company value.

$2.01FP_{it}$: This is the coefficient for the FP (Financial Performance) variable. The positive coefficient (2.01) indicates that an increase in financial performance, assuming other variables remain constant, will increase the company value. This suggests that good financial performance contributes positively to the company value.

Estimation Result

T-Test Results

Table 7. T-Test Results

Variable	Coefficient	t-statistic	Probability
CSR	-9.429732	-0.227835	0.8263
FP	2.010582	1.146554	0.2892

Source: E-Views output 14, data processed

The regression analysis results indicate the effects of Corporate Social Responsibility (CSR) and Financial Performance (FP) on company value. The coefficient for CSR is -9.429732, suggesting that an increase in CSR is associated with a decrease in company value by approximately 9.43 units. However, the t-statistic for CSR is -0.227835, which is close to zero, indicating that this effect is not statistically significant. The corresponding p-value of 0.8263 further supports this conclusion, as it is much higher than the conventional significance level of 0.05, leading to a failure to reject the null hypothesis for CSR. On the other hand, the FP variable has a positive coefficient of 2.010582, implying that an increase in financial performance is associated with an increase in company value by about 2.01 units. Nevertheless, the t-statistic of 1.146554 suggests that this effect is also not statistically significant, with a p-value of 0.2892 indicating a lack of significance. Overall, neither CSR nor FP demonstrates a statistically significant impact on company value, suggesting that variations in these variables may not meaningfully influence the company's valuation in this analysis.

F Test Results (Simultaneous)

Table 8. F-Test Results

F-statistic	6.204796
Prob (F-statistic)	0.018627

Source: E-Views output 14, data processed

The F-statistic of 6.204796 in the regression analysis indicates the overall significance of the model, assessing whether the independent variables collectively have a significant effect on the dependent variable, which in this case is company value. A higher F-statistic suggests that at least one of the independent variables (CSR or FP) has a significant relationship with the dependent variable. The associated p-value of 0.018627 is crucial for interpretation; since it is less than the conventional significance level of 0.05, it indicates that the model is statistically significant. This means that the combination of CSR and FP significantly influences company value, allowing us to reject the null hypothesis that states there is no effect. Therefore, despite the individual variables not showing significant effects, the overall model suggests that these factors together do have a meaningful impact on the company value.

Determination Coefficient Test (R-Square) Results

The R-Square test measures how well the independent variables can explain the dependent variable. The Fixed Effect Model regression results show an R-Square value of 0.780007, as indicated in the following table:

Table 9. Determination Coefficient Test R-Square Results

R-Squared	0.780007
Adjusted R-Squared	0.654297

Source: E-Views output 14, data processed

The R-squared value of 0.780007 indicates that approximately 78.00% of the variation in company value can be explained by the independent variables, which are Corporate Social Responsibility (CSR) and Financial Performance (FP). This high R-squared value suggests that the model fits the data well, as a significant portion of the variability in the dependent variable is accounted for by the independent variables included in the analysis. Additionally, the Adjusted R-squared value of 0.654297 provides a more accurate measure of the model's explanatory power by adjusting for the number of predictors in the model. This value indicates that, after accounting for the number of variables, about 65.43% of the variation in company value is still explained by CSR and FP. The difference between the R-squared and Adjusted R-squared values suggests that while the model is robust, there may be other factors not included in the analysis that could further explain the remaining variability in company value. Overall, these statistics highlight the model's effectiveness in capturing the relationship between the independent variables and company value, while also acknowledging the potential influence of additional factors.

The Effect of Corporate Social Responsibility on Company Value in 3 Shariah Banking Companies

The regression results for Corporate Social Responsibility (CSR) obtained a p-value of 0.8263 with a t-statistic of -0.227835. The p-value is much higher than the conventional significance level of 0.05 (or 5%), so it can be concluded that in this study, the null hypothesis for CSR is not rejected. This suggests that the independent variable, CSR, does not have a statistically significant effect and cannot explain the dependent variable. Thus, it can be concluded that Corporate Social Responsibility does not have a significant effect on the dependent variable.

This result may be due to findings from other studies, which suggest that corporate Social Responsibility does not ncessarily exacerbate Company Value. The negative relationship between CSR (Corporate Social Responsibility) and Firm Value is primarily explained through two perspectives: Cost and Market Signaling. From the Cost perspective, increased CSR is viewed as an operating expense such as environmentally friendly technology and audits that reduces profit margins and short-term efficiency, as well as triggering agency costs because management is perceived to be misusing shareholder funds for non-strategic social programs (Singh et al., 2017). Meanwhile, from the Market Signaling perspective, the market may interpret CSR expenditures as a "Greenwashing" practice to conceal poor performance, or as evidence of inefficient resource allocation because the long-term benefits of CSR have not been fully valued by investors (Christi et al., 2025).

The Effect of Financial Performance on Company Value in 3 Shariah Banking Companies

The Regression results for Financial Performance show a probability value of 0.28 and a t-statistic of 1.14. Based on these results, indicating that financial performance has effect on Company value in 3 shariah Banking Institutions. These findings align with pervious studies (Aryani et al., 2023; Rima et al., 2025). The results of this study prove Financial performance is a primary indicator used by investors and capital markets to assess a company's health, profitability, and future growth prospects. Sustained improvement in key Financial Performance indicators, particularly profitability and cash flow, will raise market expectations regarding the company's potential future earnings, which ultimately increases Firm Value (Naufaldy Pasaribu et al., 2025).

CONCLUSION

This study investigates the influence of Corporate Social Responsibility (CSR) and Financial Performance (FP) on company value in Islamic banks listed in the JII70 index from 2020 to 2023. The results show that CSR and FP do not individually have a significant direct effect on firm value, suggesting that CSR initiatives may not yet be fully integrated into strategic value creation and that improvements in financial ratios do not always translate into higher market valuation. However, the simultaneous F-test indicates that CSR and FP together significantly affect firm value, highlighting the importance of combining ethical commitment with strong financial fundamentals. The mediating role of FP further suggests that CSR can indirectly enhance firm value when it improves operational efficiency, legitimacy, or stakeholder trust.

The study has several limitations, including a small sample of only three Islamic banks, a relatively short four year observation period, and CSR measurements based solely on annual report disclosures. Additionally, other potential determinants of firm value such as governance quality, macroeconomic conditions, and digital transformation were not included. Future research should expand the sample, lengthen the study period, use more robust Islamic based CSR frameworks, and incorporate moderating or mediating variables. Overall, this study underscores the complex nature of CSR, FP, and firm value in Islamic banking and the need for stronger CSR integration and transparency.

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