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Exploring the Role of Islamic Corporate Governance in Enhancing the Link Between Investment Account Holder, Non-Performing Financing and Islamic Intellectual Capital on Islamic Social Reporting: Evidence from Global Islamic Banks

Yusuf Faisal² Qonitatun Luthfiah² Ahmad Athaillah³ Muhammad Ibrahim

^{1,2} Departement of Accounting, Sekolah Tinggi Ilmu Ekonomi Tri Bhakti, Bekasi, Indonesia.

³ Departement of Accounting, Selangor Islamic University, Selangor, Malaysia

⁴ Departement of Accounting, Universitas Bina Insani, Bekasi, Indonesia

⁵ Departement of Economics and Finance, International Islamic University, Islamabad, Pakistan

Abstract

Purpose – This study aims to examine and analyze the relationship between Investment Account Holder, Non-Performing Financing, and Islamic Intellectual Capital on Islamic Social Reporting with Islamic Corporate Governance as a moderating variable.

Method – This study uses quantitative data, with a sample of ² the 10 largest Islamic banks in the world for the period 2018-2024. The analysis technique used to test the hypothesis is multiple regression analysis using e-views 9 software.

Result - This study finds that Investment Account Holder, Non-Performing Financing, and Islamic Corporate Governance have insignificant effects on Islamic Social Reporting, Islamic Intellectual Capital has a significant positive effect on Islamic Social Reporting and Islamic Corporate Governance moderates the effects of Non-Performing Financing and Islamic Intellectual Capital, but not Investment Account Holder on Islamic Social Reporting.

Implication – Islamic banks are advised to enhance intellectual capital and governance to improve social reporting.

Originality – This study discusses ² Islamic Social Reporting and other factors such as Investment Account Holder, Non-Performing Financing, Islamic Intellectual Capital, and

Islamic Corporate Governance, focusing on the 10 largest Islamic banks in the world. This study adds Islamic Corporate Governance as a moderating variable.

Keywords: Investment Account Holder, Non-Performing Financing, Islamic Intellectual Capital, Islamic Corporate Governance, Islamic Social Reporting.

□ Corresponding Author. yusuf.faisal@stietribhkati.ac.id

Introduction

The global Islamic finance industry continues to show significant growth trends.

According to the 2024 Islamic Finance Development Indicator report, total global Islamic financial assets reached US\$4.9 trillion in 2023, experiencing double-digit growth of 11% compared to the previous year. Global Islamic financial assets are projected to continue increasing, with a compound annual growth rate (CAGR) of 9%, and are expected to reach US\$5.94 trillion or approximately Rp94.758 trillion by 2025–2026 (Jelita 2024). This growth is driven not only by the expansion of the Islamic banking sector but also by the rising global interest in a financial system based on Islamic principles, as reflected in the sukuk market, which continues to experience steady issuance growth (Bennett and Coyle 2025).

However, alongside this growth lies a fundamental challenge, weak disclosure of social and sustainability aspects. The 2024 Islamic Finance Development Indicator report that 61% of countries surveyed scored zero on the sustainability indicator due to the lack of reporting on zakat, Corporate Social Responsibility, and Qard al-Hasan. Similarly, the 2025 Islamic Finance News Guide highlights the persistent weakness in ESG and social reporting implementation in many Islamic financial institutions, particularly in developing countries, caused by inconsistent standards, limited human resource capacity, and the lack of integration of sustainability values into reporting systems. While standard-setting bodies such as AAOIFI have updated reporting frameworks, adoption at the institutional level remains limited. This condition illustrates that growth in Islamic finance assets is not always aligned with the social and spiritual values central to the Islamic economic system.

In Islam, economic and business activities are not only judged in terms of worldly gains,

but are also closely related to the spiritual dimension. Every form of fund management, reporting, and social responsibility is a trust that will be accounted for before Allah Subhanahu wa Ta'ala. The fundamental principle of tawhid places humanity as stewards on Earth, tasked with upholding the values of justice, honesty, and transparency in all aspects of life, including within the financial and banking systems. ² Islamic Social Reporting (ISR) serves as a tangible manifestation of accountability for Islamic Financial Institutions. Islamic Social Reporting (ISR) is an important tool in communicating the social responsibility, ethics, and commitment of Islamic Financial Institutions, not only to shareholders and investors but also to the broader community and to Allah Subhanahu wa Ta'ala. Islamic principles such as speculation and gharar, interest-free transactions, zakat disclosure, Sharia compliance status, and social aspects such as waqaf, sadaqah, and qardul hasan are included in Islamic Social Reporting (ISR). This also includes the disclosure of worship in business (Riyanti and Barkhowa 2021).

Previous studies have shown mixed results on the determinants of Islamic Social Reporting. Mais et al. (2024) found that the larger the Investment Account Holder, the more extensive the Islamic Social Reporting disclosed by Islamic banks due to the high risk of managing these funds. Conversely, Vionita et al. (2021) showed that Investment Account Holder have no effect on Islamic Corporate Social Responsibility disclosure, reflecting the low proportion of third-party funds in Indonesian Islamic banking compared to conventional banks. Similarly, research by Puspasari & Muzakki (2021) found that banks with higher levels of Non-Performing Financing tend to disclose more social information through Islamic Social Reporting because their agency costs are higher. Conversely, Yahawi et al. (2020) stated that Non-Performing Financing does ¹ not affect Islamic Social Reporting, as the average Non-Performing Financing of the banks in the study sample was still relatively low at 2.19%, so capital strengthening depends more on shareholder policies. In addition, Batubara et al. (2024) found that intellectual capital has a significant positive effect on Islamic social reporting disclosure, while Budi & Rahmawati (2019) reported a negative effect. Similarly, Suryadi & Lestari (2018) found that the Islamic Governance

Score had no significant effect on Islamic Social Reporting, while Rosita & Kurniawati

(2022) showed that Islamic Corporate Governance had a partially significant positive effect.

These inconsistencies indicate a research gap that warrants further investigation.

Therefore, ² this study aims to examine the influence of Investment Account Holders, Non-Performing Financing, and Islamic Intellectual Capital on Islamic Social Reporting, with Islamic Corporate Governance as a moderating variable, using a sample of the 10 largest Islamic banks in the world in 2024 (TABInsight, 2025) which are considered to represent best practices in the global Islamic finance industry. This study is expected to not only contribute scientifically but also strengthen social reporting practices as a form of responsibility for Islamic Financial Institutions in fulfilling their mandate to the community. Ultimately, every number recorded and every piece of information reported will not only be accounted for in this world but also judged in the hereafter before Allah Subhanahu wa Ta'ala.s

Literature Review

The Islamic Worldview, or ru'yatul Islam lil wujud, is a Muslim's comprehensive perspective on life based on the revelations of Allah Subhanahu wa Ta'ala and the example of the Prophet Muhammad Shalallahu 'alaihi wasallam, forming the basis for the development of Islamic knowledge, behavior, and social systems (Ibrahim et al. 2021). One of the derivatives of this thought is the Shariah Enterprise Theory (Triyuwono 2000), which views organizations as a trust from Allah that must be carried out responsibly, not merely profit-oriented. In line with this, the Tawhidi String Relation (Choudhury 2007) emphasizes the principle of tawhid as the source of knowledge, through the process of interaction, integration, and evolution of human knowledge (shuratic process) with the Qur'an as the primary reference. From a management perspective, Resource Dependence Theory ¹¹ (Pfeffer and Salancik 1978) states that organizations depend on external resources such as funds, information, and legitimacy, which influence strategy and decision-making, while Stewardship Theory ⁶ (Donaldson and Davis 1991) views managers as acting in the best interests of the organization and its stakeholders.

The research variables include Investment Account Holders (IAH), which are fund owners who invest in Islamic financial institutions based on the principle of profit sharing (AAOIFI 2015); Non-Performing Financing (NPF), which is problematic financing that is categorized as substandard, doubtful, or non-performing (Siregar, 2023); and Islamic Intellectual Capital (IIC), which is the development of intellectual capital integrated with Islamic values, including intangible assets such as knowledge, reputation, and corporate culture (Priyanto, 2021). Meanwhile, ²⁵ Islamic Social Reporting (ISR) is a standard for reporting social performance based on sharia principles (Prasetiyo 2022), and Islamic Corporate Governance (ICG) is corporate governance that protects the interests of stakeholders in accordance with sharia principles (Siagian et al., 2022).

Hypothesis Development

Investment Account Holders (IAH) are owners of investment funds who bear risks and demand transparency from Islamic banks. In Sharia Enterprise Theory (Triyuwono 2000), IAHs are stakeholders who are accountable vertically to Allah and horizontally to society. The larger the funds from IAH, the higher the incentive for ¹ Islamic Social Reporting (ISR) disclosure. Previous studies support the positive influence of IAH on ISR (Astuti and Nurkhin 2019; Hariyanti and Annisa 2021).

H1: Investment Account Holder has a positive influence on Islamic Social Reporting.

Non-Performing Financing (NPF) reflects the risk of problematic financing. In Tawhidi String Relation (Choudhury 2007), the integration ² of economic and social objectives encourages banks to continue to fulfill their social responsibilities even when faced with risks. Research by ¹ Puspasari and Muzakki (2021) shows that NPF can have a positive impact on ISR because it is used to maintain public trust.

H2: Non-Performing Financing has a positive effect on Islamic Social Reporting.

Islamic Intellectual Capital (IIC) encompasses human, structural, relational, and sharia capital, which are strategic assets of Islamic banks. Based ⁹ on Resource Dependence Theory (Pfeffer and Salancik 1978), IIC strengthens relationships with stakeholders through social reporting. Research by Batubara et al. (2024) shows the positive influence

of IIC on ISR.

H3: Islamic Intellectual Capital **1** has a positive effect on Islamic Social Reporting.

Islamic Corporate Governance (ICG) through the active role of the Sharia Supervisory Board (SSB) ensures sharia compliance and social accountability. Stewardship Theory **6** (Donaldson and Davis 1991) views managers as servants of the common interest.

Research by Rosita and Kurniawati (2022) proves the positive influence of ICG on ISR.

H4: Islamic Corporate Governance **1** has a positive effect on Islamic Social Reporting.

Islamic Corporate Governance strengthens the relationship between Investment Account Holders and Islamic Social Reporting by ensuring the principles of transparency, accountability, and Sharia compliance. SSB plays a role in ensuring that stakeholder information needs are met, in line with Sharia Enterprise Theory.

H5: Islamic Corporate Governance strengthens the influence **2** of Investment Account Holders on Islamic Social Reporting.

In conditions of high Non-Performing Financing, strong Islamic Corporate Governance promotes social transparency to maintain reputation and accountability, in accordance **6** with Stewardship Theory and Tawhidi String Relations.

H6: Islamic Corporate Governance strengthens the influence of Non-Performing Financing **2** on Islamic Social Reporting.

Islamic Corporate Governance ensures that Islamic Intellectual Capital is utilized not only for economic gain, but also to fulfill social and spiritual responsibilities. Resource Dependence Theory emphasizes the importance of external legitimacy through ISR.

H7: Islamic Corporate Governance strengthens the influence of Islamic Intellectual Capital **2** on Islamic Social Reporting.

Research Methods

This study uses a quantitative approach with an explanatory design to examine the influence of Investment Account Holder, Non-Performing Financing, and Islamic Intellectual Capital on Islamic Social Reporting, with Islamic Corporate Governance as a moderating variable. The study was conducted in a natural setting without direct intervention from the

researcher, using Islamic banks as the unit of analysis. The research population consists of the 100 largest Islamic banks in the world according to TAB Insights AB100 (2025). The sample was selected using purposive sampling based on the following criteria: (1) included in **2 the 10 largest Islamic banks in 2024**, (2) listed on the stock exchange of their respective countries, and (3) actively operating and having annual reports for the period 2018–2024. The data used were panel data derived from **30 annual reports and financial statements** downloaded from the official websites of each bank and the relevant capital market authorities. The analysis was conducted using panel data regression with e-views9 software to test the research hypothesis.

Table 1. Research Object

NO

Bank Name

Code

Listing Date

Address

5 1
Al Rajhi Bank

1220

01/12/1988

Riyadh Al Muruj District King Fahed Road Al Rajhi Bank Tower PO Box: 28 Riyadh: 11411

2

Kuwait Finance House

KFH

29/09/1984

Abdulla Al-Mubarak Street - Mirqab - Kuwait.

3

Dubai Islamic Bank

DIB

25/03/2000

14 Head office Building 2, Al Maktoum Road, Opposite DNATA, Deira, P.O. Box 1080,

Dubai

4

Alinma Bank

1150

03/06/2008

King Fahad Road, P.O. Box 66674, Riyadh, 11586, Kingdom of Saudi Arabia

5

Maybank Islamic

1155

17/02/1974

Level 30, Menara Maybank, 100, Jalan Tun Perak, 50050 Kuala Lumpur

5 6

Abu Dhabi Islamic Bank

ADIB

15/11/2000

P.O.Box 313, Abu Dhabi, Abu Dhabi

7

Qatar Islamic Bank

QIBK

26/05/1997

Grand Hamad Street, QIB Building, Doha, 559, Qatar

8

Masraf Al Rayan

MARK

19/06/2006

Al Add Al Sharqi Street 69, Lusail City, PO BOX 28888, Doha, State of Qatar

9

Bank Albilad

1140

30/04/2005

8229 Al Mutamarat, Unit 2, RIYADH 3952- 12711, Kingdom of Saudi Arabia

10

CIMB Islamic Bank

CIMB

09/09/2009

15 17th Floor Menara CIMB, Jalan Stesen Sentral 2, Kuala Lumpur Sentral 50470 Kuala Lumpur

Source: Data compiled from Saudi Exchange (Tadawul), Dubai Financial Market, Boursa Kuwait, Qatar Stock Exchange, Bursa Malaysia, Abu Dhabi Securities Exchange (2025)

Table 2. Variable Measurement

No

Variable

Measurement

Source

1

Investment Account Holder

Previous Research Sayd Farook, M. Kabir Hassan, dan Roman Lanis (2011)

2

Non-Performing Financing

Previous Research Seleman Hardi Yahawi, Minati Nurjanah, dan Erna Setiany (2020)

3

Islamic Intellectual Capital

Previous Research Syaima Binti Adznan, Zulkarnain Bin Muhammad Sori, dan Shamsheer Mohamad (2023)

4

Islamic Social Reporting

Previous Research Rohana Othman, Azlan Md Thani, dan ¹ Erlane K Ghani (2009)

5

Islamic Corporate Governance

$ICG = SSB + NUM + CROSS + PHD + REP$

SSB = Existence of Sharia Supervisory Board

NUM = Number of SSB members

CROSS = Cross-memberships

PHD = Doctoral qualification of SSB member

REP = Reputable scholars on SSB

Previous Research Sayd Farook, M. Kabir Hassan, dan Roman Lanis (2011)

Results and Discussion

Descriptive Analysis

Table 3. Descriptive Statistics Test Results

Variable

N

Min

Max

Mean

Std. Dev

Investment Account Holder

70

5.972

107.574

22.906

24.105

Non-Performing Financing

70

0.004

0.090

0.025

0.023

Islamic Intellectual Capital

70

0.152

0.833

0.571

0.162

Islamic Social Reporting

70

0.428

0.928

0.744

0.098

Islamic Corporate Governance

70

1.000

5.000

3.100

1.287

Source: Processed data (2025)

The study used 70 balanced observations from 2018–2024. The ³ Investment Account Holder (IAH) variable ranged from 5.972 to 107.574, with an average of 22.906; the highest was at CIMB Islamic Bank in 2024 and the lowest at Alinma Bank in 2020. Its standard deviation (24.105) exceeded the mean, indicating high variability. Non-Performing Financing (NPF) ranged from 0.004 to 0.090 with an average of 0.025; the highest was at ⁵ Abu Dhabi Islamic Bank in 2021 and the lowest at Maybank Islamic in 2024, with low variability (SD 0.023). Islamic Intellectual Capital (IIC) ranged from 0.152 to 0.833, averaging 0.571; Maybank Islamic recorded the highest values (2023–2024), while Dubai Islamic Bank had the lowest (2018). Variability was low (SD 0.162). ² Islamic Social Reporting (ISR) ranged from 0.428 to 0.928, with an average of 0.744; the highest was at Al Rajhi Bank (2021–2024) and the lowest at Dubai Islamic Bank (2018–2019), showing low variability (SD 0.098). Lastly, ¹⁸ Islamic Corporate Governance (ICG) ranged from 1.000 to 5.000, averaging 3.100; Maybank Islamic consistently scored the highest (2018–2024), while Al Rajhi and Dubai Islamic scored the lowest in earlier years. Its variability was also low (SD 1.287).

Model 1 Analysis Requirements Testing

Panel Data Regression Model Estimation

Chow Test

Table 4. Chow Test

1 Effects Test

Statistic

d.f.

Prob.

Cross-section F

9.034103

(9,56)

0.0000

Cross-section Chi-square

62.780696

9

0.0000

Source: Processed data (2025)

Based on the Chow Test results using Eviews 9, the Cross Section F probability value is 0.00. This result shows that the value is less than the significance level ($\alpha = 0.05$). Thus, the best **1 model to use is the** Fixed Effect Model (FEM). Therefore, a Hausman Test is needed to select the best model between the Fixed Effect Model and **the Random Effect Model.**

Hausman Test

Table 5. Hausman Test

Test Summary

Chi-Sq. Statistic

Chi-Sq. d.f.

Prob.

Cross-section random

5.875168

4

0.2087

Source: Processed data (2025)

Based on the Hausman test results, the probability value is 0.2087. This result is greater than the significance level ($\alpha = 0.05$). Thus, the best model to use is the Random Effect Model (REM). Therefore, a Lagrange Multiplier test is needed to determine the best model between the Common Effect Model and the Random Effect Model.

Lagrange Multiplier Test

Table 6. Lagrange Multiplier Test

Test Hypothesis

Cross-section

Time

Both

Breusch-Pagan

33.15472

0.377399

33.53212

(0.0000)

(0.5390)

(0.0000)

Source: Processed data (2025)

1 Based on the results of the Lagrange Multiplier Test, the significance value in Both Breusch-Pagan is 0.000. This result is less than the significance level ($\alpha = 0.05$). Thus, the best model to use is the Random Effect Model (REM).

Hypothesis Testing Model 1

Table 7. Partial Test (Random Effects Model)

Variable

Prediction

Coefficient

t-Statistic

Prob.

Explanation

C

0.4178

9.2925

0.0000*

IAH

+

-0.0001

-0.2187

0.4137

IAH has a negative effect on ISR and is not in line with the hypothesis, which means that it does not support the theory.

NPF

+

0.6346

1.4023

0.0828

NPF **1** has a positive effect on ISR and is consistent with the hypothesis. However, statistically it is not strong enough to support the theory.

IIC

+

0.5166

6.6002

0.0000*

IIC has a significant positive effect on ISR and is in line with the hypothesis, which supports the theory.

ICG

+

0.0062

0.7652

0.2234

ICG has a positive effect on ISR and is consistent with the hypothesis. However, statistically it is not strong enough to support the theory.

R-Squared

0.5025

Adjusted R-Squared

0.4719

F-statistic

16.4186

Prob(F-Statistic)

0.0000*

Description:

*5% Significance Level

IAH (Investment Account Holder), NPF (Non-Performing Financing), IIC (Islamic Intellectual Capital), ICG (Islamic Corporate Governance), ² ISR (Islamic Social Reporting).

Source: Processed data (2025)

Based on Table 7, the Adjusted R-Squared value of 0.4719 indicates that 47.19% of the variation in the Islamic Social Reporting variable can be explained by the Investment Account Holder, Non-Performing Financing, Islamic Intellectual Capital, and Islamic Corporate Governance variables. Meanwhile, the remaining 52.81% is influenced by other factors not included in this model, such as Capital Adequacy Ratio (Yahawi et al., 2020), Islamicity Performance Index (Wahyuantika et al. 2023), Leverage (Riyanti and Barkhowa 2021), Liquidity (Riyanti and Barkhowa 2021), Maqashid Sharia Index (Faisal et al., 2024), awards (Suryadi and Lestari 2018), profitability (Siagian et al. 2021), Muslim population ratio (Kasih and Rini 2018), company size (Vionita et al., 2021), and company age ¹ (Puspasari and Muzakki 2021) as described in previous studies.

Model 2 Analysis Requirements Testing (Moderating)

Panel Data Regression Model Estimation

Chow Test

Table 8. Chow Test (Moderating)

Effects Test

Statistic

d.f.

Prob.

Cross-section F

14.828365

(9,57)

0.0000

Cross-section Chi-square

84.445632

9

0.0000

Source: Processed data (2025)

Based on the Chow test results using Eviews9, the Cross-section F probability value obtained was 0.00. This value is smaller than the significance level ($\alpha = 0.05$), so the best model chosen is the Fixed Effect Model (FEM). Next, a Hausman test is needed to determine the best model between the Fixed Effect Model and **1 the Random Effect Model.**

Hausman Test

Table 9. Hausman Test (Moderating)

Test Summary

Chi-Sq. Statistic

Chi-Sq. d.f.

Prob.

Cross-section random

6.816220

3

0.0780

Source: Processed data (2025)

Based on the Hausman test results, a probability value of 0.0780 was obtained, which is greater than the significance level ($\alpha = 0.05$). Thus, the best model selected **1** is the **Random Effect Model** (REM). Next, the Lagrange Multiplier (LM) test was conducted to determine the best model between **the Common Effect Model** and **the Random Effect Model**.

Lagrange Multiplier Test

Table 10. Lagrange Multiplier Test (Moderating)

Test Hypothesis

Cross-section

Time

Both

Breusch-Pagan

50.64747

0.737579

51.38505

(0.0000)

(0.3904)

(0.0000)

Source: Processed data (2025)

Based on **the Lagrange Multiplier test results**, a significance value of 0.000 was obtained for Both Breusch-Pagan. This value is smaller than the significance level ($\alpha = 0.05$). Thus, the best model selected **is the Random Effect Model** (REM).

Hypothesis Testing Model 2

Table 11. Partial Test (Random Effects Model)

Variable

Prediction

Coefficient

t-Statistic

Prob.

Explanation

C

0.6264

19.0938

0.0000*

IAH_ICG

+

1.9300

0.0937

0.4628

ICG does not significantly affect IAH on ISR in the same direction, which means that ICG does not strengthen the positive effect of IAH on ISR, indicating that ICG acts as a homologizer moderator.

NPF_ICG

+

0.2716

1.7790

0.0399*

ICG significantly affects NPF on ISR in the same direction, which means that ICG strengthens the positive influence of NPF on ISR, indicating that ICG acts as a pure moderator.

IIC_ICG

+

0.0517

3.7707

0.0002*

ICG significantly influences IIC on ISR in the same direction, which means that ICG strengthens the positive influence of IIC on ISR, indicating that ICG acts as a pure moderator.

R-Squared

0.3008

Adjusted R-Squared

0.2690

F-statistic

9.4670

Prob(F-Statistic)

0.0000*

Description:

*5% Significance Level

IAH (Investment Account Holder), NPF (Non-Performing Financing), IIC (Islamic Intellectual Capital), ICG (Islamic Corporate Governance), ² ISR (Islamic Social Reporting).

Source: Processed data (2025)

Based on Table 11, the Adjusted R-Squared value of 0.2690 indicates that 26.90% of the variables Investment Account Holder, Non-Performing Financing, and Islamic Intellectual Capital moderated by Islamic Corporate Governance are able to explain ¹ the Islamic Social Reporting variable. Meanwhile, the remaining 73.10% is influenced by other factors not examined in this study, as revealed in previous studies, including Capital Adequacy Ratio (Koni and Dayi 2023), Islamicity Performance Index (Wahyuantika et al. 2023), Leverage (Astuti and Nurkhin 2019), Liquidity (Nuraeni and Rini 2019), Maqashid Sharia Index (Faisal et al., 2024), awards (Suryadi and Lestari 2018), profitability (Hariyanti and Annisa 2021), Muslim population ratio (Kasih and Rini 2018), company size (Rosita and Kurniawati 2022), and company age (Vionita et al., 2021).

Discussion of Research Results Model 1

The Influence of Investment Account Holders ¹ on Islamic Social Reporting

The test results show that Investment Account Holder (IAH) has an insignificant negative effect on Islamic Social Reporting (ISR), thus rejecting the hypothesis. This finding

contradicts the Shariah Enterprise Theory (Triuwono 2000) ⁹ and Resource Dependence Theory (Pfeffer and Salancik 1978), which place IAH as a key stakeholder that should encourage social transparency. Empirically, these results are in line with the research by Vionita et al. (2021) but differ from Astuti and Nurkhin (2019) and Hariyanti and Annisa (2021), ³ who found a positive effect. The high variation in IAH funds between banks and their passive nature explain the weak encouragement of ISR. The social disclosure practices of global Islamic banks are more influenced by corporate strategy and international regulations than by direct pressure from IAH (Putri and Mardian 2020).

The Influence of Non-Performing Financing ¹ on Islamic Social Reporting

The results of the study indicate that Non-Performing Financing (NPF) has a positive but insignificant effect on Islamic Social Reporting (ISR). This indicates that although in theory an increase in NPF should encourage Islamic banks to strengthen social reporting ⁹ as a form of legitimacy (Choudhury 2007; Pfeffer and Salancik 1978), in practice the average NPF of global banks is still at a healthy level below 5%, so it does not cause significant pressure. Even when some banks, such as Dubai Islamic Bank and ⁵ Abu Dhabi Islamic Bank, recorded high NPF during the pandemic, the ISR trend continued to increase. These findings confirm that ISR is more influenced by regulatory pressure, strategic investors, and international standards than by internal risk fluctuations such as NPF ³ (Farook et al., 2011).

The Influence of Islamic Intellectual Capital ¹ on Islamic Social Reporting

The results of the study indicate that Islamic Intellectual Capital (IIC) has a significant positive effect on Islamic Social Reporting (ISR), which means that the higher the quality of a bank's Islamic intellectual capital, the more extensive its social disclosure will be. ³ This finding is consistent with Resource Dependence Theory (Pfeffer and Salancik 1978) that the utilization of internal resources, including sharia knowledge, human resources, and Islamic organizational culture, will strengthen social legitimacy through ISR. These results are in line with the research by Batubara et al. (2024) and reinforce the view of Farook and

Lanis (2007) that Islamic Intellectual Capital is an important foundation in building not only financial but also spiritual and social legitimacy, so that ISR can develop as an ethical and comprehensive accountability instrument.

The Influence of Islamic Corporate Governance ¹ on Islamic Social Reporting

The results show that Islamic Corporate Governance (ICG) has a positive but insignificant effect on Islamic Social Reporting (ISR), so the fourth hypothesis is rejected. Although it ³ is in line with the Stewardship Theory assumption that management acts as a “steward” that prioritizes the interests of stakeholders, in global practice, sharia governance has not yet fully become the main driver of social reporting. This finding differs from Rosita and Kurniawati (2022), who found a significant effect, but is in line with Suryadi and Lestari (2018), who showed insignificant results. This difference reflects variations in the quality of Sharia Supervisory Boards (SSBs) across jurisdictions and the dominance of external factors such as global market pressures, ESG demands, and international standards that more strongly determine ISR practices. Thus, although ICG is important normatively, its role in promoting ISR remains limited and needs to be strengthened through qualitative indicators, integration of maqasid syariah, and digital governance innovations to function more strategically in enhancing the social accountability of Islamic banks.

Discussion of Research Results Model 2

Islamic Corporate Governance does not strengthen the influence ² of Investment Account Holders on Islamic Social Reporting.

The results of the study indicate that Islamic Corporate Governance (ICG) does not strengthen the influence of Investment Account Holders (IAH) on Islamic Social Reporting (ISR), thus rejecting the hypothesis. The passive position of IAH and the limited role ²⁶ of the Sharia Supervisory Board (DPS) mean that social aspirations are not effectively accommodated. This confirms that the sharia governance structure is not yet strong enough as a mediator, and that ISR is more influenced by external pressures such as regulations and ESG trends than by internal ICG.

Islamic Corporate Governance strengthens the influence of Non-Performing Financing ²

on Islamic Social Reporting.

The results of the study indicate that Islamic Corporate Governance (ICG) strengthens the influence of Non-Performing Financing (NPF) on Islamic Social Reporting (ISR), thus accepting the hypothesis. This means that when financing risks increase, the existence of strong ICG encourages Islamic banks to continue to improve social transparency ¹ as a form of accountability and reputation management. The role of the Sharia Supervisory Board (SSB) as part of ICG is key in maintaining consistency in reporting despite financial pressures. Thus, ICG functions as a pure moderator (Sharma et al., 1981) that ensures the relationship between NPF and ISR remains positive, while also confirming that effective sharia governance is capable of maintaining the legitimacy and sustainability of global Islamic banks.

Islamic Corporate Governance strengthens the influence of Islamic Intellectual Capital ² on Islamic Social Reporting.

The results of the seventh hypothesis (H7) testing show that Islamic Corporate Governance (ICG) strengthens the influence of Islamic Intellectual Capital (IIC) on Islamic Social Reporting (ISR), so that the higher the quality of intellectual capital, the broader the social disclosure when supported by effective sharia governance. This is in line with ⁶ Donaldson and Davis (1991) view in Stewardship Theory that managers act as servants of the common interest, and is supported by Batubara et al. (2024), who found that IIC ¹ has a significant effect on ISR. Thus, ICG acts as a pure moderator (Sharma et al., 1981), ensuring that IIC is not only profit-oriented but also manifested in social reporting practices in accordance with sharia objectives.

Conclusion

Research on ² the 10 largest Islamic banks in the world for the period 2018–2024 shows that Investment Account Holders (IAH) and Non-Performing Financing (NPF) have no significant effect on Islamic Social Reporting (ISR), while Islamic Intellectual Capital (IIC) ¹ has a significant positive effect. Islamic Corporate Governance (ICG) has no direct

effect, but it is able to strengthen the relationship between NPF–ISR and IIC–ISR, although it fails in IAH–ISR. These findings confirm that ISR practices are more influenced by intellectual capacity and external pressures such as ESG and global standards than by internal financial factors. The limitations of this study lie in the limited sample size and the voluntary nature of ISR indicators. Therefore, further research is recommended to expand the scope, standardize ISR indicators, and explore the role of digitalization and sharia governance qualitatively.

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