

The Effect Of Implementation Of Shariah Compliance And Islamic Corporate Social Responsibility (ICSR) On Financial Performance With Earning Quality As An Intervening Variable

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Abstract

This study aims to analyze the effect of Shariah Compliance and Islamic Corporate Social Responsibility (ICSR) implementation on financial performance with earnings quality as an intervening variable in Islamic Commercial Banks in Indonesia for the period 2019–2023. This study uses a quantitative approach with path analysis to examine the direct and indirect relationships between variables. The results show that Shariah Compliance has a significant negative effect on financial performance and earnings quality, while ICSR has no significant effect on financial performance but a significant positive effect on earnings quality. The earnings quality variable is proven to have a significant positive effect on financial performance. The mediation test shows that financial performance is unable to positively mediate the relationship between Shariah Compliance and ICSR on earnings quality. This finding indicates that the implementation of sharia compliance and Islamic-based social responsibility programs still incurs short-term costs, resulting in suboptimal financial impacts, although in the long term it is expected to increase business legitimacy and sustainability. This study contributes to the literature on sharia governance by providing empirical evidence on the role of earnings quality as an intervening variable in the relationship between Shariah Compliance, ICSR, and financial performance in Islamic banks in Indonesia.

Keywords: *Shariah Compliance; Islamic Corporate Social Responsibility (ICSR); Earnings Quality; Financial Performance.*

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INTRODUCTION

Indonesia, with the world's largest Muslim population, holds significant economic potential for the Islamic economy and finance sector. The growth of the Islamic economy reflects progress in the financial industry, both in the banking and non-banking sectors. The presence of Islamic banks is expected to further strengthen the banking sector's contribution to economic development and maintain the country's financial stability.

The Islamic finance industry, both banking and non-banking, is currently in its early stages of development. Despite its relatively rapid growth, it currently only dominates a small portion of the financial sector in Muslim countries, and even more

limitedly in the international financial sphere. Despite various challenges, the process of Islamization in the banking sector continues to progress successfully (Nurhisam, 2016).

There is a discrepancy between fact and theory. This is evident in the case of Panin Dubai Syariah Bank in 2021. The theory proposed by Umer Chapra in his book "Towards A Just Monetary System" (1985) states that Sharia principles not only maintain compliance but also foster greater customer trust, ultimately improving the bank's financial performance. However, in fact, Table 1.1 shows that Panin Dubai Syariah Bank's 2021 Shariah Compliance (0.9287) had no positive effect on Panin Dubai Syariah Bank's 2021 financial performance (-6.72). Therefore, it is possible that the relationship between Shariah Compliance and financial performance is not as strong as predicted in theory.

This discrepancy also occurs in the Islamic Corporate Social Responsibility (ICSR) variable. The theory proposed by (Hanic & Smolo, 2022) Several studies, including "Islamic Approach to Corporate Social Responsibility: An International Model for Islamic Banks," have shown that Islamic banks actively involved in social activities will gain high levels of public trust, potentially improving their financial performance. However, in 2020, a study by Bank NTB Syariah found that a positive ICSR (0.791) had no positive effect on the bank's financial performance (-7.74). Therefore, the relationship between ICSR and financial performance does not align with theory.

Continuing with earnings quality as an intervening variable, (Wulandari, 2016) theoretically proposed that high earnings quality is expected to increase trust in financial reports, which in turn can improve financial performance. However, the reality does not align with this theory.

According to statistical data from the Financial Services Authority (OJK), Islamic banking in Indonesia has been increasing annually. The following is a summary of the development of Islamic banking in Indonesia from 2019 to 2023:

Table 1. Development of Islamic Banking 2019-2023

| Year | 2019 | 2020 | 2021 | 2022 | 2023 |
|-------------|------|------|------|------|------|
| BUS | 14 | 14 | 15 | 13 | 13 |
| UUS | 20 | 20 | 20 | 20 | 20 |
| BPRS | 167 | 175 | 198 | 210 | 577 |

Source: Financial Services Authority (OJK)

Table 1 shows the increasing development of Islamic banking in Indonesia. Financial performance and profit quality should also improve, given that Indonesia has one of the largest Muslim populations.

The development of Islamic banking in Indonesia experienced significant growth following the enactment of Law No. 21 of 2008 concerning Islamic banking. This is evident in the increase in the number of Islamic banks in 2017, reaching 13 Islamic Commercial Banks, 21 Islamic Business Units, and 167 Islamic Rural Financing Banks (OJK, 2017). The increasing number of Islamic banks indicates a rise in Islamic business activity, which has resulted in increasingly intense competition among Islamic banks. This increased competition creates unique challenges that Islamic banks must face. The primary challenge is maintaining a positive reputation

and image among customers. This can be achieved by maintaining and improving performance, both financially and non-financially, to ensure customer trust and loyalty to Islamic banking.

(Asrori, 2014) stated that there are two main issues related to governance weaknesses in Islamic banking. One is related to Sharia compliance, where Islamic bank management has not been able to ensure that all banking products and services offered are fully compliant with Sharia principles. This situation can erode public trust, as they may perceive Islamic banks as no different from conventional banks.

Compliance with Sharia principles is considered a key strength of Islamic banks. By adhering to basic norms and principles of Sharia, benefits such as system stability, fairness in contracts, and the creation of good governance can be realized. The issue of Sharia compliance arises because Islamic bank management cannot always guarantee that every banking product and service offered is compliant with Sharia. Regulations related to Sharia compliance are derived from the Quran, Hadith, and the consensus of Islamic scholars, so the nature of Sharia compliance remains general (Azahra et al., 2023).

In line with research conducted by (Khairunnisa et al., 2023) stated that Shariah Compliance has a significant positive impact on the financial performance of Islamic commercial banks in Indonesia. As is known, Sharia principles strongly support halal transactions and prohibit transactions involving gambling (*maisir*), *gharar* (*gharar*), and *riba* (usury). Therefore, the higher the halal income earned by Islamic banks, the higher their profits.

In addition to Sharia compliance, Islamic Corporate Social Responsibility (ICSR) is also a crucial aspect of Islamic banking operations. ICSR is a corporate social responsibility implemented based on Islamic values, where Islamic banks aim not only to generate profits but also to prioritize the welfare of society and the environment. Good ICSR implementation is believed to enhance a bank's reputation and provide added value to customers, ultimately impacting the company's financial performance.

As stated (Ella Anisa et al., 2024) In his research, ICSR will bring benefits in the form of improved performance for Islamic Commercial Banks. The results show that Islamic Corporate Social Responsibility (ICSR) disclosure has a positive and direct impact on financial performance. Therefore, it can be concluded that the more Islamic Corporate Social Responsibility disclosure items, the better the financial performance.

In addition to internal factors, the development of Islamic banking in Indonesia is also inseparable from global dynamics. Data from the Islamic Finance Development Report (IFDR, 2023) shows that Indonesia is among the top five countries with rapidly developing Islamic financial ecosystems, along with Malaysia, Saudi Arabia, Iran, and the United Arab Emirates. This demonstrates Indonesia's high competitiveness in the halal industry and Islamic finance. However, the global dominance of Islamic banking remains relatively small, with a market share of less than 10% of total global banking assets. This situation requires Islamic banking in Indonesia to strengthen its strategies, including through increased Sharia compliance and corporate social responsibility (ICSR).

In addition to the challenges of sharia compliance and the implementation of Islamic Corporate Social Responsibility (ICSR), the development of Islamic banking in Indonesia is also influenced by global macroeconomic factors, regulatory

dynamics, and changes in customer behavior. The COVID-19 pandemic, for example, has demonstrated that the resilience of Islamic banks is significantly influenced by earnings quality and the level of sharia compliance. Banks that are able to maintain earnings quality without relying on high-risk financing tend to be more stable than banks that focus on aggressive expansion (Ariyanto et al., 2020).

On the other hand, the digital transformation of Islamic banking requires product and service innovation that remains aligned with Sharia principles. Sharia digital banking is believed to improve operational efficiency and expand public access to financial services. However, digitalization also poses Sharia compliance risks, particularly regarding contract mechanisms and transaction transparency (Hanic & Smolo, 2022).

Furthermore, the increased competitiveness of Islamic banks is determined not only by financial performance but also by the bank's success in gaining social legitimacy through ICSR practices. The public is increasingly demanding transparency and accountability in fund management, particularly regarding social funds such as zakat, infaq, sedekah, and waqf. Banks that actively engage in ICSR activities can gain greater customer trust, which in turn leads to increased loyalty and asset growth (Usdeldi et al., 2022).

With global developments, national regulatory support, and the challenges of digitalization, research into the impact of Shariah Compliance and ICSR on financial performance through earnings quality is increasingly important. This research not only benefits academics but also provides a tangible contribution to regulators, practitioners, and the wider community in understanding the strategic role of Islamic banking in Indonesia.

However, there are several challenges in consistently implementing Shariah compliance and ICSR. One of these is how the implementation of these two concepts can significantly contribute to the financial performance of Islamic banks. Financial performance, typically measured by Return on Assets (ROA) and Return on Equity (ROE), is one of the main indicators for assessing a bank's operational effectiveness. In this context, earnings quality is also an important variable mediating the relationship between Shariah compliance, ICSR, and financial performance. Earnings quality refers to the extent to which generated earnings reflect the true financial condition and are sustainable in the long term.

Although research related to Shariah Compliance and Islamic Corporate Social Responsibility is still limited, several previous studies have addressed the financial performance of Islamic banking, including research conducted by (Desta et al., 2022) stated that Shariah Compliance has a negative impact on the performance of Islamic banking. This is different from research conducted by (Nurjannah et al., 2020) which states that Shariah Compliance has a positive effect on the financial performance of Islamic banking (Basuki & Susilowati, 2022) concluded that Islamic Corporate Social Responsibility has no effect on the performance of Islamic banking. Meanwhile, research (Arifin & Wardani, 2016) states that Islamic Corporate Social Responsibility has a significant impact on financial performance.

Based on the above background, the author is interested in conducting further research with a different sample size and period, entitled "The Effect of Shariah Compliance and Islamic Corporate Social Responsibility (ICSR) on Financial

Performance, with Earnings Quality as an Intervening Variable in Islamic Commercial Banks in Indonesia."

METHODOLOGY

This research uses a quantitative method. Quantitative methods are techniques that help decision-makers analyze observed events to find answers to questions, make decisions, and find solutions to problems they face. The approach applied in this research is a quantitative method using financial ratio data based on time series analysis. The data used is annual data. This research was conducted at a Sharia Commercial Bank (BUS) in Indonesia. The planned research period starts from the proposal preparation stage to the completion of the research report, namely from December 2024 until completion (Ramdhan, 2021).

The data used in this study is secondary data. Secondary data is data already available or published by relevant parties and therefore can be directly used by researchers. In this study, data was taken from annual reports and the official website of the Financial Services Authority (OJK). A population is a generalized area consisting of objects/subjects with specific quantities and characteristics determined by the researcher to be studied and then conclusions drawn. The population in this study was 13 Islamic Commercial Banks registered with the OJK and BI.

The sample is a subset of the elements selected for analysis in the study. This sample represents a portion or representation of the population being studied. In this study, the sample used was 10 Islamic commercial banks registered with the OJK and BI, out of a total of 13 Islamic commercial banks. The sample was selected using the purposive sampling method (judgment sampling), a form of random sampling in which the sample is selected intentionally based on the research objectives and specific criteria. The population elements selected for the sample in this study must meet the following criteria (Hardani, 2020):

- a) Sharia commercial banks officially operating in Indonesia
- b) Sharia commercial banks with complete data related to the variables studied, namely financial reports for the 2019-2023 period
- c) Sharia commercial banks that have implemented social responsibility, namely Islamic Corporate Social Responsibility, on an ongoing basis for the past 5 years.

Data collection is essentially an operational activity aimed at ensuring that the results can be used in subsequent research. The data collection technique used in this study utilizes existing data, also known as secondary data. Secondary data generally comes in the form of documentation or published reports. In this study, based on the time of collection, the data used is time series data (Nur Ahmadi Bi Rahmani, 2016).

RESULTS AND DISCUSSION

Results

Table 2. Hypothesis Test X -> Y

| Model | Coefficients ^a | | | | |
|--------------|-----------------------------|------------|-----------------------------------|-------|------|
| | Unstandardized Coefficients | | Standardized Coefficients Beta | t | Sig. |
| | B | Std. Error | | | |
| 1 (Constant) | 5.367 | 1.044 | | 5.140 | .000 |

| | | | | | |
|--------------------|--------|-------|-------|---------|------|
| Shariah Compliance | -4.232 | .381 | -.625 | -11.110 | .000 |
| Icsr | -1.733 | 1.327 | -.073 | -1.305 | .193 |

a. Dependent Variable: financial performance

Source: Data processed 2025

Table 3. Hypothesis Testing X -> Z

| Model | Coefficients ^a | | | | |
|--------------------|-----------------------------|------------|---------------------------|--------|------|
| | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
| | B | Std. Error | Beta | | |
| 1 (Constant) | -3.637 | .893 | | -4.075 | .000 |
| Shariah Compliance | .931 | .326 | .191 | 2.858 | .005 |
| Icsr | 5.688 | 1.135 | .335 | 5.013 | .000 |

a. Dependent Variable: profit quality

Source: Data processed 2025

Table 4. Hypothesis Testing X & Z -> Y

| Model | Coefficients ^a | | | | |
|--------------------|-----------------------------|------------|---------------------------|---------|------|
| | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
| | B | Std. Error | Beta | | |
| 1 (Constant) | 6.527 | 1.049 | | 6.223 | .000 |
| Shariah Compliance | -4.528 | .375 | -.669 | -12.078 | .000 |
| Icsr | -3.546 | 1.360 | -.150 | -2.608 | .010 |
| Kualitas Laba | .319 | .080 | .230 | 3.965 | .000 |

a. Dependent Variable: financial performance

Source: Data processed 2025

Based on the table above, a regression model can be made as follows:

$$Y = a + \beta XZ + e$$

$$Y = 6.527 - 4.528X_1 - 3.546X_2 + 0.319Z$$

Table 5. Regression Model Test

| Variables | Original Sample (Path Coefficient) | T Values | P Values | Description |
|--|------------------------------------|----------|----------|-------------|
| Shariah Compliance (X1) -> Financial Performance (Y) | -0.625 | -11.110 | 0.000 | Accepted |
| ICSR (X2) -> Financial Performance (Y) | -0.073 | -1.305 | 0.193 | Rejected |
| Shariah Compliance (X1) -> Earnings Quality (Z) | -0.191 | 2.858 | 0.005 | Accepted |
| ICSR (X2) -> Earnings Quality (Z) | 0.335 | 5.013 | 0.000 | Accepted |

| | | | | |
|---|--------|---------|-------|----------|
| Shariah Compliance (X1) -> Financial Performance (Y) -> Earnings Quality (Z) | -0.669 | -12.078 | 0.000 | Accepted |
| ICSR (X2) -> Financial Performance (Y) -> Earnings Quality (Z) | -0.150 | -2.608 | 0.010 | Rejected |
| Earnings Quality (Z) -> Financial Performance (Y) | 0.230 | 3.965 | 0.000 | Accepted |

Source: Data processed 2025

1. Shariah Compliance (X1) → Financial Performance (Y)

- Path coefficient: -0.625
- T-statistic: -11.110
- P-value: 0.000 (<0.05)
- Interpretation: Significantly negative. High Sharia compliance reduces financial performance (high compliance costs, investment instrument restrictions)..

2. ICSR (X2) → Financial Performance (Y)

- Path coefficient: -0.073
- T-statistic: -1.305
- P-value: 0.193 (>0.05)
- Interpretation: Not significant. ICSR has not had a direct financial impact on financial performance.

3. Shariah Compliance (X1) → Profit Quality (Z)

- Path coefficient: -0.191
- T-statistik: 2.858
- P-value: 0.005 (<0.05)
- Interpretation: Has a significant negative effect. Sharia compliance tends to lower reported earnings (more conservative/transparent) despite better quality.

4. ICSR (X2) → Profit Quality (Z)

- Path coefficient: 0.335
- T-statistik: 5.013
- P-value: 0.000 (<0.05)
- Interpretation: Has a significant positive effect. ICSR improves earnings quality by strengthening oversight and transparency.

5. Shariah Compliance (X1) → Financial Performance (Y) → Profit Quality (Z)

- Path coefficient: -0.669
- T-statistik: -12.078
- P-value: 0.000 (<0.05)
- Interpretation: The negative mediation effect is significant. The indirect path through financial performance strengthens the negative influence of Shariah Compliance on earnings quality.

6. ICSR (X2) → Financial Performance (Y) → Earnings Quality (Z)

- Path coefficient: -0.150
- T-statistik: -2.608
- P-value: 0.010 (<0.05)

d. Interpretation: Statistically significant but negative in direction, inconsistent with the initial hypothesis and therefore considered "rejected". ICSR has not been able to improve profit quality through financial performance.

7. Earnings Quality (Z) → Financial Performance (Y)

a. Path coefficient: 0.230

b. T-statistik: 3.965

c. P-value: 0.000 (<0.05)

d. Interpretation: Has a significant positive effect. The higher the profit quality, the better the company's financial performance.

1. The Impact of Shariah Compliance on Financial Performance

The implementation of Shariah compliance has a significant negative impact on financial performance. This can be explained because Shariah compliance requires companies to follow regulations that restrict the types of businesses, financial instruments, and methods of generating revenue. Compliance processes such as Shariah audits, specialized reporting systems, training, and supervision incur additional costs that depress profits or reduce resources for productive activities. In the short term, these conditions can reduce opportunities for financial gain, although in the long term, Shariah compliance is expected to increase the legitimacy and sustainability of companies. This finding aligns with (Septa & Ali, 2024) which revealed that restrictions on Sharia-compliant products/instruments can impact short-term profitability, while providing long-term reputation and sustainability benefits. This finding also overlaps with research (Allam, 2025) in the Journal of Financial Services Research which shows that sharia compliance is actually related to profit manipulation practices in several companies, in contrast to some other studies in Malaysia which found that sharia-compliant companies actually have higher profit quality (Bawana et al., 2025).

2. The Influence of Islamic Corporate Social Responsibility on Financial Performance

Islamic Corporate Social Responsibility (ICSR) does not significantly impact financial performance. This indicates that the benefits of Sharia-based social responsibility programs have not yet generated immediate financial impact. ICSR activities such as community empowerment programs, environmental management, and zakat distribution/social roles do strengthen social legitimacy, but the financial benefits tend to be felt only in the long term through increased customer loyalty, a positive image, and mitigating reputational risk. In the initial stages, the costs of implementing ICSR are relatively high, increasing the company's financial burden. This finding aligns with research. (Selasi et al., 2022) which found that ICSR did not significantly affect the ROA of Islamic banks in Indonesia. However, this result differs from (Kasman, 2023) who found that ICSR and sharia governance positively impacted the financial performance of Islamic financial institutions in Indonesia. These differences in results indicate that program intensity, regulatory support, and market conditions significantly influence the effectiveness of ICSR on financial performance. This is in line with research (Rahmani, 2021) which found that ICSR

did not significantly affect the ROA of Islamic banks in Indonesia. However, this result contradicts research (Oktavia et al., 2023) which found that ICSR actually had a positive effect on the financial performance of Islamic financial institutions. This difference indicates that the effectiveness of ICSR on financial performance is influenced by program intensity, regulatory support, and market conditions.

3. The Influence of Shariah Compliance on Profit Quality

Shariah compliance has a significant negative impact on earnings quality. The implementation of Shariah compliance encourages companies to report earnings more conservatively and transparently. Reported earnings may be lower but more reflective of the actual situation. With oversight by the Shariah Supervisory Board, Shariah auditors, and ethical requirements, earnings manipulation practices are reduced. Although profits appear to decline, the quality of financial information improves. (Muhammad Dayyan, 2017) confirms that sharia principles influence profit reporting patterns to be more accountable. This finding also strengthens the view that a religious-based reporting system can improve information quality even if profit figures are lower (Andespa, 2017). However, this finding contradicts a number of previous studies. For example, research (Astuti, 2022) In The Quality of Earnings in Shariah-Compliant Companies: Evidence from Malaysia, they found that Sharia-compliant companies actually have higher earnings quality than non-Sharia-compliant companies. This means that Sharia compliance in Malaysia is associated with improved earnings quality, not decreased earnings quality.

4. The Influence of Islamic Corporate Social Responsibility on Profit Quality

ICSR has a significant positive effect on earnings quality. Islamic-based ICSR programs strengthen oversight mechanisms, transparency, and reputational pressure, thus increasing management's caution in reporting earnings. Credible ICSR activities boost investor and stakeholder confidence in financial reports, thereby improving earnings quality. This finding is supported by (Khairussyifa & Jannah, 2022) This study shows that CSR has a positive effect on earnings quality because companies with high CSR tend to manipulate earnings less. This research also aligns with the Islamic view that good social activities are part of more ethical and accountable governance. However, several other studies have found that CSR/ICSR, which is merely a formality, does not improve the quality of earnings reports, such as a study of several Pakistani Islamic banks that showed an insignificant relationship between CSR and earnings quality (Desi Nurmaida, 2017). This shows that results can vary depending on the credibility of the CSR program.

5. The Influence of Shariah Compliance on Financial Performance Through Profit Quality

The relationship between Sharia compliance and earnings quality through financial performance is negative. This suggests that while Sharia compliance enhances legitimacy, high compliance costs still depress profitability, resulting in a suboptimal mediation effect through financial performance. In other words, the indirect pathway actually reinforces the negative influence of Sharia compliance on earnings quality. This finding contrasts with several studies in Malaysia that found that Sharia mechanisms can improve earnings quality through improved financial performance. However, this finding makes sense in the Indonesian context, where

the costs of implementing Sharia are relatively high and short-term financial incentives are inadequate. This finding contradicts research (Usdeldi et al., 2022) "*The Mediate Effect Of Sharia Compliance on The Performance of Islamic Banking in Indonesia*". The results show that Sharia Compliance mediates GCG and CSR towards maqashid sharia positively, but mediation towards financial performance is negative.

6. The Influence of Islamic Corporate Social Responsibility on Financial Performance Through Profit Quality

For the ICSR path, although statistically significant, the resulting direction of the relationship does not align with the initial hypothesis and is therefore considered "rejected." This indicates that ICSR has not been able to improve earnings quality through financial performance. This condition supports the view (Rizieq, 2024) which states that the financial benefits of CSR implementation are long-term and not yet fully reflected in financial performance. The relatively high costs of implementing CSR can reduce short-term profitability, resulting in a negative mediation effect. This finding has also been reported in several international CSR studies, which show that large CSR expenditures can suppress short-term profit margins despite providing long-term reputational benefits. However, these results contradict research (Mukhtisar et al., 2021) who found that ICSR can improve profit quality through financial performance if the program is implemented strategically.

7. The Effect of Earnings Quality on Financial Performance

The results of the study indicate that earnings quality has a significant positive effect on financial performance. The higher the earnings quality, the better the company's financial performance. High-quality earnings reports reflect relevant, reliable, and unmanipulated information, thus facilitating managerial decision-making, increasing investor confidence, and lowering the cost of capital. These findings support the view that (Hanic & Smolo, 2022) which states that good earnings quality is the foundation of healthy financial performance. In other words, high earnings quality serves as a positive signal to the market and stakeholders, which in turn has a positive impact on financial performance. These results differ from other research (Ariyanto et al., 2020) In Factors Affecting Earnings Quality in Companies Listed in Indonesia Stock Exchange, it was found that in general the earnings quality of public companies in Indonesia tended to decline during the 2017-2021 period so that the relationship with financial performance was not always strong.

CONCLUSION

Based on the results of research conducted on the influence of Shariah Compliance and Islamic Corporate Social Responsibility (ICSR) on financial performance, with earnings quality as an intervening variable, the following conclusions can be drawn:

Shariah Compliance has a significant negative effect on financial performance. This means that the implementation of Shariah Compliance in the context of this study still incurs costs and financial instrument restrictions, thus reducing short-term profitability. ICSR has no significant effect on financial performance. This indicates that Sharia-based social responsibility programs have not yet had a direct financial

impact and are more long-term in nature. Shariah Compliance has a significant negative effect on earnings quality. These results indicate that the application of Sharia principles encourages more conservative and transparent reporting, resulting in lower reported earnings despite more reliable information. ICSR has a significant positive effect on earnings quality. This means that Sharia-based social responsibility programs increase transparency and oversight mechanisms, resulting in better earnings quality. The indirect effect of Shariah Compliance on earnings quality through financial performance remains negative. This indicates that the mediation effect of financial performance has not been able to shift the direction of the relationship to positive. The indirect effect of ICSR on earnings quality through financial performance is statistically significant but negative, thus rejecting the hypothesis. This indicates that the financial benefits of ICSR are not yet fully reflected in financial performance. Earnings quality has a significant positive effect on financial performance. The higher the earnings quality, the better the company's financial performance.

THANK-YOU NOTE

The author expresses his deepest gratitude to all those who have supported the completion of this research. He also expresses his gratitude to the Master of Islamic Accounting Program, State Islamic University of North Sumatra, for their academic guidance and research facilities. He also thanks the Financial Services Authority (OJK) and all Islamic Commercial Banks in Indonesia for providing the data and information that served as the basis for this research analysis. He also extends his appreciation to the supervisors and colleagues who provided constructive feedback throughout the writing process.

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