

Governance Structures as Drivers of Performance in Islamic Banks

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Abstract

This study investigates the impact of corporate governance structure on Islamic banking performance, focusing on four key dimensions: board size, Shariah governance, board independence, and ownership structure. The study utilized a quantitative methodology that involved collecting survey data through questionnaires, and the subsequent analysis was carried out using SmartPLS4, a partial least squares structural equation modeling (PLS-SEM) software. The results of the measurement model confirmed reliability and validity throughout every construct examined. Meanwhile, the structural model showed sufficient explanatory power and satisfactory predictive relevance. Hypothesis testing revealed that governance structures play a significant role in shaping the financial aspects of Islamic banking performance. This study's findings present empirical evidence reinforcing the significance of strong governance in promoting the sustainability and the competitive edge of Islamic banking, primarily as it operates within Indonesia. This study makes a valuable contribution to the existing body of knowledge on Islamic finance by focusing on key governance elements that drive improved performance, while also providing helpful information that regulators and policymakers can utilize to strengthen the governance structure within the Islamic banking industry.

Keywords: Corporate Governance, Board Size, Shariah Governance, Board Independence, Ownership Structure, Islamic Banking Performance

Introduction

Islamic banking, functioning much like conventional banking operations, is a financial institution involved in providing financial services. In the business world, the availability of Islamic banking typically offers a solution for Muslims to carry out transactions that align with Islamic principles (Zahoor, 2024). Since countries with a Muslim majority have thoroughly implemented the Islamic banking market, it is beginning to make inroads into countries with smaller Muslim populations as well. Hence, Islamic banking has unique operational characteristics, such as the absence of interest, uncertainty, and gambling in its transaction practices. The terms are based on Islamic principles that prohibit these practices in transactions, or in more familiar terms, the prohibition of the use of *riba* (interest), *gharar* (uncertainty), and *maysir* (gambling) in banking activities (IFSB, 2009). Conversely, Islamic

banking utilizes the principle of buying and selling, rather than the interest system generally applied by conventional banking. The buying and selling systems in Islamic banking are based on contracts permitted by Islamic principles that uphold the principles of honesty and willingness of both parties (customers and banks).

Islamic banking represents a notable divergence within the global financial landscape. Through a profit-sharing approach, Islamic banking provides financial solutions through its products and services based on Islamic principles, reaching the public with certain general limitations in the banking world. It also increases financial inclusion, especially in Muslim-majority countries, which can contribute to more inclusive economic growth. The concept of Islamic banking that applies the profit-sharing principle reduces vulnerability to economic fluctuations and conditions global economic stability (Rosmanidar et al., 2021). Instruments offered by Islamic banking, such as sukuk (bonds), open opportunities for banks to partner with other Islamic banks in various countries and create opportunities to introduce products offered globally with a unique approach.

The concept offered by Islamic banking presents challenges in managing its business operations. Within Indonesia's governance framework, Islamic banking presents a more intricate organizational structure, which involves the Shariah Supervisory Board (SSB) being integrated into the governance structure alongside the board of commissioners and directors. The issue of governance structure in Islamic banking can provide structural complexity, such as the dual role of the board of directors and SSB, who have different duties but must work together (OJK, 2024), which has the potential to overlap the roles and responsibilities between the Board of Directors who manage business operations and the SSB who ensures compliance with sharia principles (Mihajat, 2019). In addition, the absence of fixed standards in ensuring its operations are based on Islamic Principles, Islamic banking tends to rely on the existence of the SSB to issue fatwas related to an operational activity (Karbhari, et al., 2024). Therefore, this matter relies on the accountability of SSB members to Sharia decisions and supervision based on the level of independence and the competence of its members in understanding and implementing Shariah compliance. The role of the SSB, as a crucial element in the governance structure of Islamic banking, also requires adequate access to bank management and operational information to effectively and optimally carry out its supervisory duties (Saba, 2019). Supervision is essential for maintaining the stability and credibility of the banking system on an ongoing basis in the eyes of the public. Although a few specific investigations are interested in and conduct experiments on how board size, independence, sharia governance, and ownership structure interact, while also considering their effects on the overall performance of Islamic banking.

Presenting empirical evidence is essential to investigate how governance structure variables, including Board Size, Shariah Governance, Board Independence, and Ownership Structure, affect Islamic banking. By investigating Islamic banking drivers within Indonesia, this study expects to present practical implications that will be useful for management and regulators aiming to enhance sustainable bank performance. This has the capacity to contribute to and expand the literature on the subject of Islamic banking governance. By analyzing the simultaneous relationship between board structure, level of independence, effectiveness of sharia supervision, and ownership patterns in one model, this study is

expected to enrich the treasure trove of comprehensive and relevant governance models for their application in Islamic banking.

Literature Review

Board Size and Islamic Banking Performance

Regarding governance in the banking sector, the attributes of a board's composition are synergistic, with each characteristic adding to the whole. According to Khalil and Slimene (2021), the board's composition is a key factor in managing and monitoring company performance, ultimately influencing the performance of banking institutions. Whereas, Tampakoudis et al. (2022) highlight the significance of policy implementation when dealing with conflicts of interest and assuming corporate risks. Its component combines internal and external experts tasked with monitoring and supervising company operations (Valledado & García-Olalla, 2022). It also enhances the effectiveness of operations regarding risk and performance (Nainggolan et al., 2023). Referring to agency theory introduced by Jensen and Meckling in 1976, the dynamics of their interactions are viewed as a fundamental goal in an activity for all involved. It follows that the potential for problems in coordination between the principal and the agent can become significant, often due to conflicting goals. Alam and Miah (2021) argue that agency theory, within the context of Islamic banking, helps understand the framework of interactions between stakeholders, thereby supporting adherence to Islamic regulations and resolving potential disputes. Therefore, the size of the board is pertinent to its influence on the performance of Islamic banking. In conclusion, based on the discussion above, board size is a crucial element in managing and monitoring a company, as it can enhance effective company operations. It also serves as a bridge for collaboration between principals and agents. Therefore, this study suggests the following hypothesis:

H¹: There is a significant relationship between board size and Islamic banking performance

Shariah Governance and Islamic Banking Performance

In order to ensure Islamic principles and minimize misconceptions among stakeholders, management, and the public, Shariah governance (SG) must be present to accommodate the company's interests. In its function, Buallay (2019) stated that the SG concept combines Corporate Governance (CG) and Islamic principles. Alam et al. (2021) stated that the SG is structured to maintain the growth and sustainability of the business of Islamic banking operations. The SG is also valuable for Islamic banking in sustaining its excellent operations and financial security (Jan et al., 2022). Relating to the stakeholder theory, the Shariah governance concept aims to regulate all stakeholders in achieving common purposes, where its structure is based on equal principles (Alam et al., 2021). Hence, stakeholders must understand their responsibility in executing protocols in business operations (Fatmawati et al., 2022). According to Chronopoulos et al. (2023), stakeholder theory accommodates the interests of various stakeholders rather than serving solely exclusive interests. Therefore, its concept might be accompanied by an awareness of Islamic principles and a more comprehensive approach to the governance structure of Islamic banking. In conclusion, the above discussion indicates that the SG is an element that regulates the stability of Islamic banking performance sustainably and is implemented according to Islamic principles. Likewise, the SG also regulates all stakeholders in achieving common goals. Therefore, this study suggests the following hypothesis:

H²: There is a significant relationship between Shariah Governance and Islamic banking performance

Board Independence and Islamic Banking Performance

An Independent Board is a control and monitoring mechanism for management performance and decisions. It has full authority to carry out complete monitoring and is unrestricted from the power and control of the CEO (Ramly & Nordin, 2018). The Board Independent (BI) is appropriate in increasing objectivity and minimizing gaps between company stakeholders to obtain benefits based on their decisions in business development (Alipour et al., 2019). In handling a company, the BI instrument is based on the ratio of board independence to the overall board structure (Akbar et al., 2020). The existence of the BI complements and provides an objective and unbiased view in evaluating strategy, performance, risk management, resources, and corporate governance. Its position aligns with the concept of agency theory, which aims to evaluate management performance within the context of board oversight (Menicucci & Paolucci, 2022). Therefore, the BI plays a balancing role in determining board composition, whose appointment measures the effectiveness of organizational management (Habtoor et al., 2024). Additionally, its role within the board favors shareholder interests, and its significant position on the board of directors mitigates agency conflicts (Malik et al., 2025). Therefore, the presence of BI within an organization is seen as neutralizing the board's decision-making interests in achieving predetermined stakeholder objectives. This discussion addresses the role of BI in increasing objectivity and minimizing gaps between parties to achieve business performance. Most importantly, BI within an establishment reduces the potential for unbiased views on all aspects of corporate governance. Therefore, this study suggests the following hypothesis:

H³: There is a significant relationship between Board Independence and Islamic banking performance

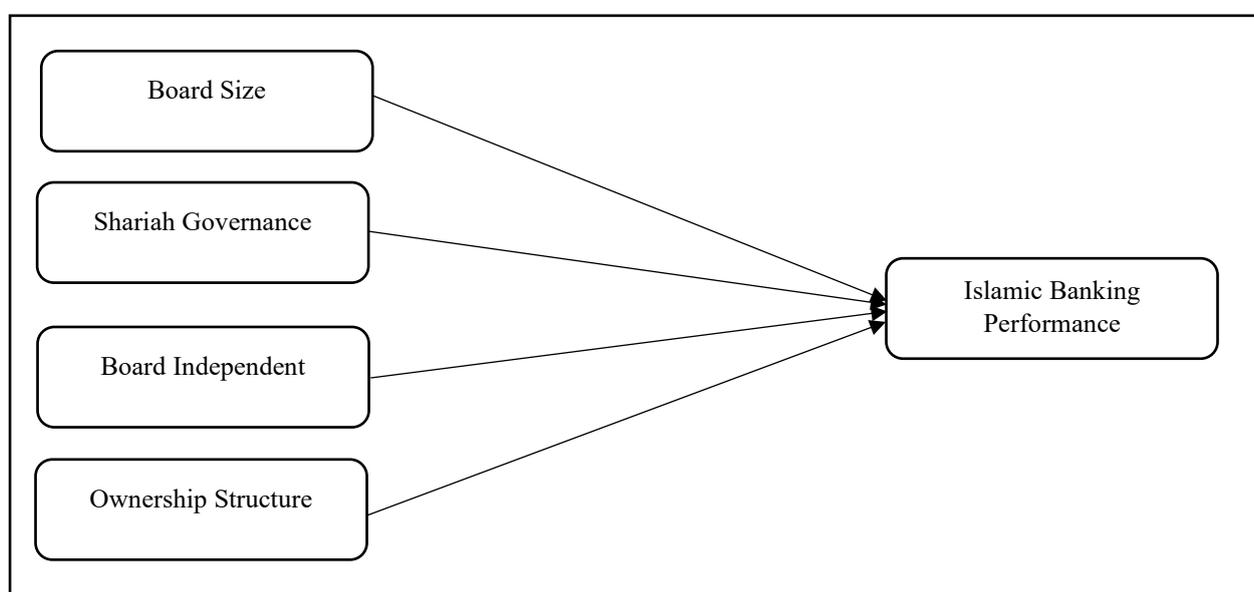
Ownership Structure and Islamic Banking Performance

The Ownership Structure (OS) influences company management and monitors the exercise of shareholder rights. The OS objective is to determine ownership allocation, which is managed through internal governance to reduce self-interest and information asymmetry (Utama et al., 2017). Its structure consists of distributed equity shareholders, including management and employees, as internal and external owners of individuals or organizations (Nwude et al., 2023). Its application to companies helps determine who has the authority to manage the company. Accordingly, most organizations implement ownership structures to improve performance (Alkurdi et al., 2021). It is also crucial to employ in improving the planning and business activities of the organization (Kirimi et al., 2022). Concerning banking companies, the ownership structure is an important element for banks in decision-making, encouraging organizations to take risks correlated with increasing systematic contributions to their tracks (Saghi et al., 2023). Hence, the nature of the principal-agent relationship in the industry influences significant transparency and accountability (Mai et al., 2024). Thus, with a transparent ownership system, the structure has effective and strong control practices over management, monitoring, and decision-making. This argument suggests that the importance of OS in a company is valuable for determining the company's management governance, including decision-making, risk management, and increasing systematic contributions. Consequently, this study suggests the following hypothesis:

H⁴: There is a significant relationship between Ownership Structure and Islamic banking performance

Conceptual Framework

The researcher conceptualized variables that could influence Islamic Banking Performance based on the literature review. This framework aims to provide a visual representation of the relationships between the concepts employed by the researcher, to direct the research process clearly, and to guide the researcher in formulating hypotheses and building a coherent foundation for collecting and analyzing data to achieve valid and credible findings. Therefore, within the framework of results, explaining their influence on a phenomenon and providing a broader understanding of the research problem (Imenda, 2014). In this study, four independent variables are Board Size (BS), Shariah Governance (SG), Board Independence (BI), and Ownership Structure (OS), while Islamic Banking Performance (BP) is the dependent variable. The following is the conceptual framework proposed for this study.



Conceptual Framework

Research Methodology

Through the utilization of a quantitative perspective, this particular research gathered data employing a survey method, which involved a structured questionnaire that was subsequently provided to individuals representing Islamic banking entities. In the effective analysis process, researchers used Least Squares-Structural Equation Modelling (PLS-SEM) with the SmartPLS-4 software, which is suitable for testing complex models with multiple independent and dependent variables. Using purposive sampling, the sample population was Islamic banking professionals and stakeholders in Indonesia, and came from several backgrounds, such as board members, Shariah Supervisory Board, and middle management. Respondents were selected to ensure participants had knowledge and experience relevant to corporate governance and Islamic banking performance.

The questionnaire was designed to capture respondents' perceptions of governance variables and Islamic banking performance and was distributed through online platforms.

Likert-scale items (1 strongly disagree to 5 = strongly agree) were used to measure constructs. As for measuring it through the stakeholders' perspective, Board Size (OS) is measured with items that reflect the adequacy and effectiveness of board members in the decision-making process. Shariah Governance (SG) is based on effective organizational accountability, communication, and reputational risk management. Board Independent (BI) is assessed based on the influence of BI involvement in monitoring management and bank performance progress. Meanwhile, Ownership Structure (OS) is seen as significantly affected by bank performance, influences the decisions, maximizes profits, and influences the performance of Islamic banking in several ways. As a dependent variable, Islamic Banking performance (BP) is measured using the indicator governance, and its standards deliver the bank the competitive power, quality, and capabilities, which play a role in its performance and services.

The Squares-Structural Equation Modelling (PLS-SEM) method was preferred because it can effectively handle complex models with several constructs, analyzing a small sample size, so it is not burdensome in determining the strict assumption of data normality. Stages are carried out in the data analysis process, which begins with the assessment of the measurement model, including testing the reliability of indicators through outer loadings, internal consistency reliability using Cronbach's Alpha and Composite Reliability, convergent validity with Average Variance Extracted (AVE), and discriminant validity through the Fornell-Larcker creation and the HTMT ratio. The purpose of hypothesis testing is to evaluate the influence of BS, SG, BI, and OS on Islamic banking performance.

Data Collection Process

This study was conducted using a sample of Islamic banks in Indonesia. Data were collected between July and August 2025. Using a purposive sampling method and a potential background approach to respondents, 100 questionnaires were distributed via email and LinkedIn personal messages. The participants in this study came from various backgrounds and had experience in the financial sector, with a particular emphasis on Islamic banking. Consequently, the contextual details are necessary for a complete and thorough interpretation of the pilot test outcomes. The following is a breakdown of the background characteristics of the respondents involved in this study.

Table 1

Participant Demographic Background

No	Characteristics	Category	Frequency (%)
1	Gender	Male/Female	63.2/ 26.8
2	Age	21-30/31-40/41-50/ <50	21.1/31.6/34.2/ 13.2
3	Position	Middle/ Top Position	81.6/18,4
4	Experiences	<5 years / 5-10 years / >10 years	42.1/ 39.5/ 18.4

The respondents' gender distribution showed that 63.2% were male and 26.8% were female, reflecting a balanced representation across both groups. Regarding age, most participants fell within the 41-50 age range, accounting for 34.2% of the sample, followed by those aged 31-40 (31.6%), and a smaller proportion over 50 years (13.2%). Concerning experience background, 42.1% of respondents had worked in Islamic banking for less than five years, while 57.9% reported having been involved in Islamic banking for more than five

years. Its characteristics indicate that the sample generally possessed a sufficient academic foundation to comprehend the survey items.

Data Analysis

This study analyzed its data using Structural Equation Modeling (SEM). This approach can simultaneously evaluate the relationships between constructs and predict the variance (Hair & Alamer, 2022). Likewise, SEM instruments also aim to address potential variable inaccuracies when examining company performance based on independent variables (Henseler et al., 2015). SEM is a recognized technique widely adopted in social science data analysis. Thus, this study uses an SEM approach to build a model explaining the correlation between BS, SG, BI, and OS on Islamic Banking performance.

In the validation process, this study measured the phenomenon to generate data that could be analyzed. The measurements were used to test hypotheses and answer the cases. Consequently, to ensure that this study consistently reflects the phenomenon being measured, reliability measurements were conducted to assess the consistency and stability of the measurement results. The following reliability test table is presented below.

Table 1
Outer Loading

	BI	BP	BS	OS	SG
BI3	0.938				
BI5	0.966				
BP3		0.978			
BP4		0.981			
BS1			0.808		
BS2			0.896		
BS3			0.952		
BS4			0.946		
BS5			0.831		
OS1				0.853	
OS2				0.866	
OS3				0.911	
OS4				0.817	
OS5				0.908	
SG1					0.906
SG2					0.962
SG3					0.932
SG5					0.916

The outer loading results, as above, are acceptable, indicating that every indicator has a loading value exceeding 0.70. This indicates that each indicator has a strong correlation with the construct it measures. Supported by Hair et al. (2021), loading values above 0.70 are considered adequate because they indicate that the latent construct can explain more than 50% of the indicator's variance.

Table 2

Construct Validity

Construct	Cronbach's Alpha	rho_c	AVE
Board Independent (BI)	0.889	0.951	0.907
Islamic Banking Performance (BP)	0.959	0.980	0.960
Board Size (BS)	0.936	0.949	0.789
Ownership Structure (OS)	0.921	0.940	0.760
Shariah Governance (SG)	0.947	0.962	0.864

As presented in the table above, the reliability assessment results indicate that all constructs demonstrate excellent internal consistency. Cronbach's alpha values for all constructs exceed the recommended threshold of 0.70 (Hair et al., 2019). Similarly, composite reliability (rho_c) values are well above 0.70, with most exceeding 0.90, further reinforcing the stability and consistency of the measurement model. Moreover, the Average Variance Extracted (AVE) for all constructs is also greater than the minimum requirement of 0.50, with values ranging between 0.760 and 0.960. These results provide strong evidence of convergent validity, as each construct explains more than 50% of the variance in its indicators. Overall, the measurement model satisfies the reliability and convergent validity criteria, allowing the constructs to be considered robust for subsequent structural analysis.

In order to confirm that a construct is relevant in comparison to other constructs or variables within a model, the Heterotrait-Monotrait Ratio (HTMT) method is computed to assess the ratio between the average correlations of items designed to measure the same variable, which ideally exhibit stronger correlations compared to those measuring distinct variables. According to Hair et al. (2021), HTMT values should generally be below 0.90 to confirm discriminant validity, although a more conservative threshold of 0.85 is often suggested. Therefore, the HTMT results in this study are presented as follows.

Table 3

Discriminant Validity (HTMT)

	BI	BP	BS	OS	SG
BI					
BP	0.672				
BS	0.436	0.450			
OS	0.748	0.645	0.479		
SG	0.556	0.552	0.194	0.591	

The results of the HTMT analysis in this study indicate that most of the constructs demonstrate satisfactory discriminant validity. The result shows that all constructs were below the conservative threshold of Hair et al. (2021). Upon analysis, it was determined that each construct was empirically separate, confirming discriminant validity, which was further supported by each α value being situated within the appropriate range. This range is indicative of discriminant validity.

The empirical evidence supports the conclusion that the measurement and structural models align with the validity and reliability criteria established by Hair et al. (2019). Analysis of the data using SmartPLS-4 revealed that the constructs demonstrated both reliability and

uniqueness, a finding supported by the reliability of pertinent indicators, the presence of convergent and discriminant validity, and the achievement of acceptable Heterotrait-Monotrait Ratio of correlations (HTMT) values. Taking everything into account, the outcomes of this study furnish a solid foundation for moving forward to the discussion and conclusion sections, where the consequences of the relationship between board size, Shariah governance, board independence, and ownership structure in relation to Islamic banking performance can be explored more thoroughly.

Discussion

This study investigates the implementation patterns of governance structures in Indonesia's Islamic banking system. Based on the results, all four hypotheses demonstrated significant relationships. The finding for H1 revealed a significant relationship between board size and Islamic banking performance. This finding answers the argument (Khalil & Slimene, 2021) regarding the importance of the Islamic banking structure. These findings emphasize the importance of board size as a consideration in the governance structure of Islamic banking. As confirmed by previous studies, board size is relevant in managing and monitoring a company, as it can enhance the effectiveness of company operations. The findings from H2 demonstrate a significant relationship between Shariah governance and Islamic banking performance. The effectiveness of Islamic banking performance is undeniably influenced by Shariah governance. Its result underscores that the implementation of Shariah governance serves as a guideline for companies in maintaining their corridors in accordance with the adopted Islamic Principles.

In the same vein, other components, specifically H3, were found to have a substantial association: the connection between Board Independence and the performance of Islamic banking. Companies that adopt Islamic principles are highlighted as being in line with other public companies, particularly in managing their governance. Moreover, it confirms the conclusions of Habtoor et al. (2024) regarding the importance of board independence in Islamic banking. Likewise, board independence complements many aspects and provides an unbiased perspective in evaluating strategy, performance, risk management, resources, and corporate governance. Interestingly, the H4 findings reveal a significant connection between ownership structure and Islamic banking performance, consistent with previous research by Alkurdi et al. (2021) in Jordan and Kirimi et al. (2022) in Kenya, which found that ownership structure influences company effectiveness. Although previous findings were not specific to Islamic banking, this study found this phenomenon to be an aspect that also influences Islamic banking performance.

Conclusion

The potential for Islamic banking to compete with other mainstream financial institutions is enormous. Particularly in Indonesia's financial sector, Islamic banking plays a role in public penetration, enabling a more expansive customer to benefit from the banking products offered. As an alternative banking service that complies with Islamic principles for the community, banking in Indonesia practically functions within a dual-banking system framework (OJK, 2024). Supported by its substantial market potential, as stated by the Financial Services Authority (OJK) (2024), Islamic banking has significant potential for continued growth, despite currently holding less than 10% of the banking market share. To

address this issue, this study thoroughly investigated governance strategies that could be effective if optimally implemented.

The results of this study demonstrate a substantial relationship between the four hypotheses on Islamic banking performance; thus, the relevance of the role of Board Size, Board Independence, Shariah Governance, and Ownership Structure emphasises their role as significant mechanisms in governance structure in conducting performance improvement. Likewise, the results of simultaneous testing in this study explain that integrating the four variables provides a comprehensive understanding and adds fresh treasures compared to prior studies that align with this study. Therefore, this study is significant for the effectiveness of Islamic banking in Indonesia. Reflecting on the success of similar industries in Malaysia, Saudi Arabia, and several other countries, the implementation of the Islamic banking governance structure in Indonesia should be continuously improved, because the impact of development and improvement not only impacts the reputation of the Islamic banking industry specifically in Indonesia, but also impacts the role and position of Indonesia as one of the leading economic strengths in the ASEAN region.

Theoretical Contributions

This study's theoretical perspective focuses on the unique governance structure of Islamic banking, a structure whose composition is based on Islamic principles, making its implementation slightly different from that of other public companies. Consequently, Islamic banking has its own rules for operational activities. Therefore, this study enriches the existing body of knowledge by empirically testing that board size, Sharia governance, board independence, and ownership structure have a significant relationship with Islamic banking performance. Prior studies aligned with this study generally focus on examining factors separately or in partial combinations. Therefore, in its first contribution, this study contributes to the literature by integrating various organizational variables into a single factor, while providing a more comprehensive understanding of the governance structure of Islamic banking performance. The second aspect of this study demonstrates that each variable influences Islamic banking performance. Consequently, it extends agency and stakeholder theories to their application in Islamic-based companies. The role of governance structure demonstrates that a combination of general theories can be adequate for the dynamics of Islamic-based companies.

Likewise, the governance of Islamic banking may differ from that of conventional banks. This notion refers to a literature study that compares the dual governance system, explaining the dual supervision between the management board and the Sharia Supervisory Board. Therefore, it is necessary to contextualize the relevant governance structure within the Islamic banking institutional environment. Concerning ownership structure, this study explains that it is not merely complementary to the corporate structure but also a component that has a substantial influence, along with the board structure and the SSB, on the performance of Islamic banks. Therefore, this study focuses on the influence of ownership structure on governance structures, especially in businesses based on Islamic principles. Finally, by encouraging Islamic banking industries to develop their existing governance structures to sustain relevance to the development of the global financial industry segment, this study combines conventional dimensions and Islamic principles to provide a practical

contribution designed for Islamic banking practitioners. It offers a conceptual bridge between governance structures and Islamic governance standards, as the AAOIFI and IFSB outlined.

In addition, this research offers guidance to the Financial Services Authority (OJK) in Indonesia, which holds the authority to oversee the Islamic banking sector in the country, concerning implementing a practical Islamic banking framework. This study does not overlook the possibility that Islamic banking has special characteristics when conducting business without adopting conventional characteristics. Therefore, this application may not be limited to Indonesia, but involves the whole Islamic banking industry globally, which develops and competes in the financial industries worldwide.

Contextual Contributions

This research provides substantial practical and contextual contributions. Firstly, for evidence-based regulators, this study provides insights that emphasize the importance of regularly monitoring the relevance of board Size, independence, shariah governance, and ownership structure in addressing business dynamics. Through these findings, the four integrative roles of regulatory guidance mechanisms might be continuously refined to improve Islamic banking performance. Secondly, this study highlights the necessity of strengthening and aligning standards related to the relevance of board standards and effective Islamic governance. Thus, this study addresses regulatory bodies such as the AAOIFI, the IFSB globally, and the Financial Services Authority (OJK) in Indonesia. It empirically confirms that the Shariah Supervisory Board (SSB) is not merely an additional entity but is prominent in bank performance. Therefore, its professionalism in regulating banking performance requires stricter standards regarding size, expertise, and independence within the governance structure. Furthermore, this study demonstrates that when governance is strengthened with Islamic concepts, this combination optimizes bank performance, providing a model that other jurisdictions adopt. In addition, this research offers insights to policymakers concerning the importance of governance structures within dual banking systems, specifically referencing those implemented in places like Indonesia, Malaysia, Brunei, the GCC nations, and related areas.

This study continuously provides global investors, businesspeople, and entrepreneurs with knowledge of the most essential concepts of governance structures in Islamic banking. Thus, by understanding the concept of Islamic governance, investors reasonably identify and assess the risks and opportunities involved in Islamic banking institutions' business, thereby providing benefits to both parties. Finally, in a public context, this study contributes to the growth of the Islamic finance industry by demonstrating that Islamic banking structures compete with other companies, essentially without specific limitations. The Islamic governance structure operates according to Islamic principles and aims to improve financial performance. This study helps increase public knowledge about Islamic banking and builds trust in its effectiveness. This study helps increase public knowledge about Islamic banking and builds trust in its efficacy. Hence, it shows that Islamic banking is a suitable option for customers.

Limitations of the Study

However, future study needs to address several limitations of this study to improve reliability and practical relevance. The researcher aimed to test the instrument as a foremost measure before conducting a more comprehensive analysis. Accordingly, this study had a small sample size, where its results may not be precise if applied to a larger area, as the sample was limited to Islamic banking in Indonesia. Thus, future studies could explore the many aspects that influence the performance of Islamic banking across different regions and countries, which would enhance understanding and identify methods to improve Islamic banking practices.

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