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CORPORATE VALUES: GOVERNANCE, RISK, COMPLIANCE (GRC) AND LEVERAGE

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Abstract
Integrating Islamic banking into Indonesia's broader financial system could provide valuable insights into the challenges and opportunities associated with traditional banking practices with Sharia-compliant values. This research examined the effect of Governance, Risk, Compliance, and leverage on the corporate value of Islamic Commercial Banks in Indonesia from 2018-2022, with size, age, and profitability as control variables. The research utilized panel data regression on 11 purposively sampled banks, and it found that GRC and leverage significantly affected corporate value simultaneously. Moreover, the board of directors and Sharia Supervisory Board negatively affected corporate value, while the audit committee and leverage had a positive effect. Corporate size and age significantly affected corporate value, whereas profitability did not. The research underscored the importance of GRC and leveraged in determining corporate value and calls for additional research to assist the investor in making informed decisions and evaluating potential investments in the Islamic financial sector.

INTRODUCTION

The banking sector is crucial in global economic systems, as it serves as the foundation for financial transactions and the control of capital movement. This sector comprises a range of financial institutions, such as conventional banks, investment banks, and Islamic banks, which serve the diversified financial requirements of individuals and enterprises. Islamic banks stood apart from others by strictly following Sharia laws, which governed financial transactions based on ethical investments and profit-sharing procedures (Mollah & Zaman, 2015).

In Indonesia, Islamic banking was established by the aspiration to incorporate Islamic precepts into financial operations. The expansion of Islamic banking in Indonesia has been substantial, mirroring a broader worldwide pattern. Per the 2023 Financial Services Authority (OJK) report, the Islamic banking industry has been methodically integrated into the Indonesian Banking Architecture (API). The purpose of this integration is to provide a wide range of banking services following Sharia law, catering to the financial requirements of the community.

Islamic banking in Indonesia represents the rising need for morally and socially conscious financial services, especially in nations where Muslims predominate. The growing number of Islamic banks worldwide, which currently hold a significant share of the banking industry in many countries, reflects this trend. The range of financial products and services offered by both conventional and Islamic banks that comply with Sharia law has expanded significantly in Indonesia. The Islamic banking sector in Indonesia has experienced rapid growth (Otoritas Jasa Keuangan, n.d.-a). Integrating Islamic banking into Indonesia's broader financial system can provide valuable insights into the challenges and opportunities associated with merging traditional banking practices with Sharia-compliant values. This integration can strike a balance between the demand for financial innovation and the obligation to adhere to Islamic law. One example of steps taken to enhance the effectiveness and transparency of Indonesia's Islamic financial markets was the establishment of the Sharia Securities Information System (SIDES) in March 2023 (Otoritas Jasa Keuangan, n.d.-b).

The distinctive operating structure of Islamic banks presented additional difficulties, particularly in preserving business value, which was a crucial measure for investor trust and financial stability (Ghiffara & Fitriyani, 2024). The corporate value of Islamic banks was determined by various criteria, such as Governance, Risk, and Compliance (GRC), leverage, and adherence to Sharia standards. These components are crucial since they immediately affect the bank's capacity to attract and retain investment by showcasing operational integrity and profitability.

While Governance, Risk, Compliance (GRC), and leverage are crucial factors in the banking sector, current research has yet to thoroughly investigate their unique effect on the corporate value of Islamic banks in Indonesia. Most studies had focused on traditional banking systems, providing a limited understanding of Islamic banks' specific challenges (Mollah, S., & Zaman, 2015). Considering the substantial growth and influence of Islamic banking worldwide, this gap in the literature is increasingly urgent. For instance, the total value of Islamic finance assets worldwide was projected to exceed $2 trillion in 2020, reflecting a 10.5% growth rate compared to the previous year (Islamic Financial Services Board, 2020).

This research aims at addressing the gap by examining the effect of GRC and leverage on the financial worth of Islamic banks in Indonesia from 2018 to 2022. This was also to understand the specific mechanisms within Islamic banks that affected their corporate value, particularly in the context of evolving regulatory frameworks. A brief literature review highlighted that Islamic banks operated under distinct principles guided by Sharia law, influencing their governance structures, risk management practices, and compliance requirements (Ghiffara & Fitriyani, 2024; Mollah, S., & Zaman, 2015). Previous research had indicated the importance of these factors in maintaining business value and investor confidence. However, the unique interplay of these elements in Islamic banking still needed to be explored.

The significance of this research was further reinforced by integrating findings from reputable international journals. For example, Anwar (2023) and Almutairi & Quttainah (2017) emphasized the critical role of governance structures such as boards of directors and audit committees in ensuring transparency and accountability in Islamic banks. Additionally, effective risk management was essential for investor trust and operational integrity, while strict regulatory compliance ensured the bank's stability (Sadeli, 2017). In selecting control variables, it was essential to consider corporate size, age, and profitability. These variables were crucial to isolate the effect of GRC and leverage on corporate value. Corporate size and age could affect a bank's stability and market perception, while profitability directly influenced investor confidence and business sustainability (Ekadjaja, 2017; Hasan, 2014).

The research contributed to current knowledge by examining the effect of Governance, Risk, Compliance (GRC), and leverage on the corporate value of Islamic banks in Indonesia, with corporate size, age, and profitability as control variables. This topic needed to be explored more in recent studies (Goh & Pan, 2022). The research addressed the unique aspects of Sharia-compliant financial institutions, which were often overlooked in Islamic banking literature and focused on conventional banks (Simsek et al., 2024). It offered a comparative analysis of GRC components' effects on business value within the constraints of Sharia law, a topic that was not thoroughly explored before (Ahmed et al., 2020). The research also analyzed governance (board of directors, audit committee, independent board of commissioners), risk, compliance (GRC), and leverage as independent variables, with corporate value as the dependent variable. Including control variables ensured unbiased and reliable results (Mubeen et al., 2021). This prudent selection of control variables prevented external factors unrelated to GRC and leverage from influencing the findings (Siwi & Hanifah, 2024).

Strong governance frameworks were essential to preserving the value of Islamic banks, according to a study conducted by the Monetary Authority of Singapore (2024) on the performance and governance of Islamic banks in Singapore. Additionally, the research on Malaysian Islamic banks' governance and risk management procedures. This highlighted the necessity of customized risk management techniques in Sharia-compliant banking. And lastly, the research on the corporate governance policies of United Arab Emirates-based Islamic banks. The importance of accountability and transparency in Sharia-compliant banking was highlighted by this study.

Corporate size was often correlated with stability and the ability to withstand challenges in the banking industry. Larger banks had more resources to overcome financial and regulatory issues and possess greater bargaining power (Ahmed et al., 2020). This could influence market perception, making larger banks appeared safer and more stable to investors. Controlling for corporate size helped isolate the effects of GRC and leveraged corporate value (D'Amato & Falivena, 2020). Corporate age reflected experience and reputation. Older banks typically had a more substantial customer base and a more extended history of adhering to Sharia principles (Kücher et al., 2020).

It also indicated the bank's ability to navigate economic and regulatory cycles. Controlling for corporate age ensured that the effects of GRC and leverage on corporate value were not skewed by these factors (Aminadav, G. & Papaioannou, 2020).

Profitability was a crucial indicator of financial health, reflecting good operational performance and cost management (Ledley et al., 2020). It could boost investor confidence and the bank's ability to attract investment. Controlling for profitability ensured that changes in corporate value were due to GRC and leverage, not fundamental financial performance differences (Reschiwati et al., 2020).

By considering corporate size, age, and profitability as control variables, this research could provide a more comprehensive and accurate analysis of how GRC and leverage affected the corporate value of Islamic banks in Indonesia (Goh & Pan, 2022). This approach helped eliminate biases from external factors, making the research results more reliable and relevant for investment decision-making in the Islamic banking sector.

Although research mainly focused on the traditional banking sector, there existed a need for research that articulately substantiated Islamic banks, which, at their core, had their idiosyncratic features and modes of regulation and governance (Palmieri et al., 2023). Unfortunately, since previous research did not pay much attention to the specifics of Sharia-compliant banking, which involved, among other things, establishing the Sharia Supervisory Board and the necessity for utilizing tailored risk management strategies, they lacked the clarity and thoroughness crucial to such a vast, sophisticated theme as Sharia-compliant banking (Muslih et al., 2020). The downside was that there was quite complex research that took over 100 factors into account, not only governance, risks, and compliance, but they also worked on integrating processes (Chang et al., 2020). Most notably, there had been claims that many research only noticed those aspects relating to the governance and compliance issues or demonstrated that the other factors were independent. This investigational approach attempted to address these blind spots by examining the symbiotic link between governance systems, risks, and compliance (GRC) while utilizing the same to make Islamic banks viable and competitive (Nguyen et al., 2023).

Despite its comprehensive approach, this research had several limitations. First, it focused solely on Islamic Commercial Banks in Indonesia from 2018 to 2022, which might limit the generalizability of the findings to other regions or banking systems due to Indonesia's unique regulatory and economic conditions (Setiawan, 2023). Second, the research relied on secondary data from financial statements and corporate reports, which might not capture all nuances of GRC and leverage practices and could contain discrepancies (Black, 2023). The sample was limited to 11 purposively selected banks, which might not represent the full diversity of Indonesia's Islamic banking sector. Third, while controlled variables such as corporate size, age, and profitability were included, other influential factors like market conditions and regulatory changes were not considered (Sukesti et al., 2021). Lastly, cross-sectional data analysis was needed to examine long-term trends or causal relationships, necessitating longitudinal research to understand the dynamic interactions between GRC, leverage, and corporate value (Tok & Yesuf, 2022). Addressing these limitations in future research could provide a more robust understanding of the factors influencing Islamic banks' corporate value.

This research used agency theory as its theoretical foundation to investigate the relationships between governance, risk management, compliance, leverage, and corporate value in Islamic banks. A quantitative approach would be adopted, analyzing secondary data from financial statements and corporate reports of selected Islamic banks over the specified period (Sum & Khalik, 2020). This research aims at demonstrating the effect of these factors on corporate value by examining data from Indonesia's Islamic banking sector from 2018 to 2022. Based on this explanation, the hypothesis in this research was H1: Governance practices, measured by the board of directors (X_1), audit committee (X_2), and independent board of commissioners (X_3), positively affected the corporate value (y) of Islamic banks in Indonesia. H2: Effective risk management, measured by the current ratio (X_4), positively affected the corporate value (y) of Islamic banks in Indonesia H3: Compliance with Sharia laws, measured by the Sharia Supervisory Board (X_5), positively affected the corporate value (y) of Islamic banks in Indonesia. H4: Leverage (X_6) positively affected the corporate value (y) of Islamic banks in Indonesia. H5: Control variables, including corporate size (C_1), corporate age (C_2), and profitability (C_3), significantly moderated the relationship between GRC, leverage, and corporate value. The conceptual framework of the study was as follows:

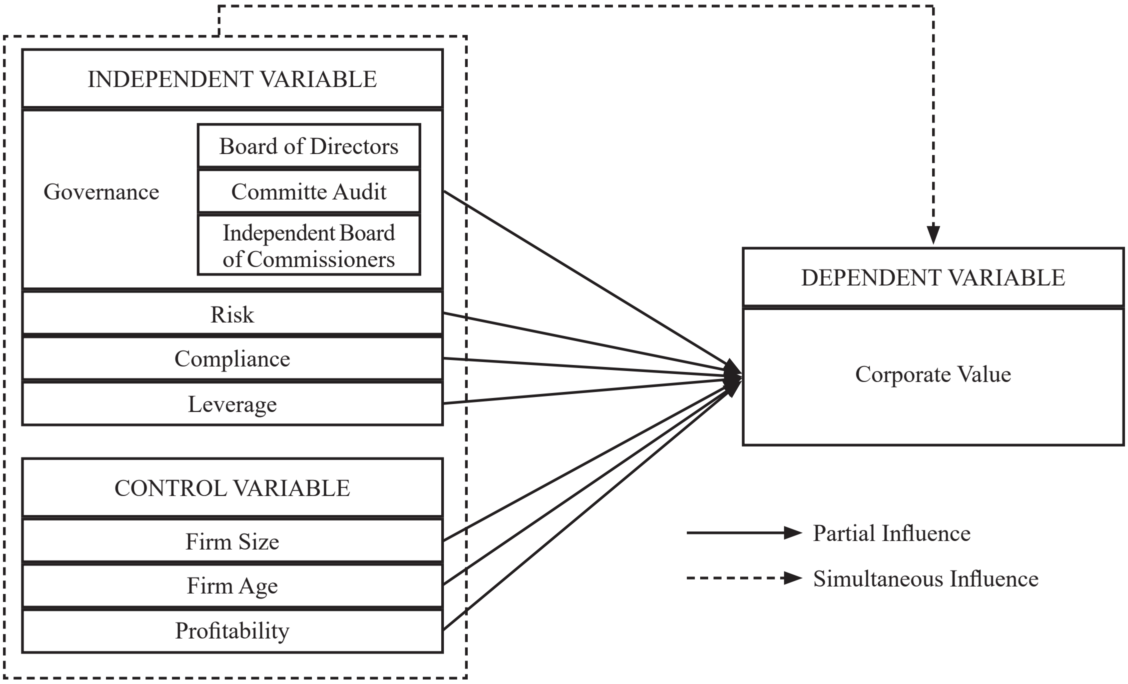

Figure 1. Theoritical Framework

METHODS

This paper explored and evaluated the effect of Governance, Risk, Compliance (GRC), and Leverage on the corporate value of Islamic Commercial Banks in Indonesia from 2018 to 2022, with corporate size, corporate age, and profitability as control variables. Islamic banking is a rapidly growing field. GRC is a complex matter involving several critical factors, such as the board of directors, the audit committee, the independent board of commissioners, the current ratio, the Sharia supervisory board, and leverage. The research adopted a quantitative method to analyze secondary data obtained from the annual financial reports of Islamic commercial banks in Indonesia from 2018 to 2022 (Wahyuni et al., 2022). Panel data regression analysis was utilized, with Eviews version 12 software employed for data processing. The research project encompassed eleven corporations selected using the purposive sampling technique.

Using corporate size, corporate age, and profitability as control variables, the research examined the effects of Governance, Risk, Compliance (GRC), and Leverage on the corporate value of Islamic Commercial Banks in Indonesia from 2018 to 2022. It analyzed secondary data from eleven banks' annual financial reports using a quantitative methodology. The sample for the research was 55 observations made over five years. The criteria and the resulting sample size were detailed in the following table:

Table 1. Population and Sample Calculation

Criteria	Amount
Sharia general banking companies registered in Indonesia from 2018 - 2022	14
Mining Sharia general banking companies inconsistently publish their annual financial reports on each bank's website from 2018 to 2022	-3
Number of Companies	11
Observation Time (years)	5
Number of samples (11 x 5)	55

This research focused on examining the functioning and effectiveness of Islamic commercial banks in Indonesia from 2018 to 2022. This employed purposive sampling to pick organizations that satisfied specific research requirements. Initially, there were 14 Islamic commercial banks licensed in Indonesia. However, three were removed from the list because they needed to provide consistent yearly financial reports from 2018 to 2022. Consequently, the ultimate sample consisted of 11 banks. A total of 55 observations were made by observing each of the 11 banks for five years.

The variables in this research are briefly explained as follows:

Table 2. Research Variables and Operational Definitions

Variable	Definition	Measurement
Corporate value (Y)	Management quality affected corporate value (Yonita, M., & Aprilyanti, 2022). Higher PBV correlates with higher share prices, indicating market confidence in the corporation's performance (Harlan & Wijaya, 2022)	$PBV = \frac{\text{Stock price per share}}{\text{Book value per share}}$
Board of Directors (X_1)	The Board of Directors managed the corporation in its best interests, representing it internally and externally according to its objectives and Indonesian law (Law of the Republic of Indonesia Number 40 of 2007).	BoD = The number of Board of Directors members
Audit Committee (X_2)	The audit committee ensured accurate and fair managerial decisions, benefiting all stakeholders (Sjahrussin, Herman, et al., 2021).	AC = Total number of audit committee members
Independent Board of Commissioners (X_3)	(Haniffa, R., & Cooke, 2002) suggested that increasing the number of independent commissioners could improve the quality of corporate information disclosure.	$IBoC = \frac{\text{The total number of IBoC}}{\text{The total number of BoC}}$
Current Ratio (X_4)	(Agustiningsih & Septiani, 2022) defined the current ratio as an indicator of a corporation's capacity to effectively handle its short-term debt obligations upon their maturity.	$CR = \frac{\text{Current Asset}}{\text{Current Liabilities}}$
Sharia Supervisory Board (X_5)	The Sharia Supervisory Board (DPS) ensured that Sharia Commercial Banks adhere to Sharia principles and minimize compliance risks in their business activities.	SSB = Members of the Sharia Supervisory Board
Leverage (X_6)	Leverage, per (Brigham & Houston, 2019) involved companies using debt to finance operations, boosting assets and potentially increasing profits.	$LEV\ (DER) = \frac{\text{Total Debt}}{\text{Total Asset}}$
Corporate Size (C_1)	Corporate size was a scale used to classify companies as large or small based on various metrics, including total assets, log size, sales, and market capitalization (Armstrong & Taylor, 2014).	CS = Ln (Total Assets)
Corporate Age (C_2)	Wang (2011) defined corporate age as the number of years from its establishment to the point of investigation or its total lifespan if it ceased to exist at that time.	CG = The Year of the Annual Report Studied – The Year the Company Was Founded
Profitability (C_3)	Various factors, including profitability, affected corporate value. Higher profitability results in more income for shareholders, which was expected to boost corporate value (Adelina et al., 2020).	$ROA = \frac{\text{Net Income}}{\text{Total Asset}}$

Which used the following equation model as an analytical tool to calculate the amount that several independent variables had as a prediction factor for a single dependent variable:

$$CV = \alpha + \beta_1\ BoD_1 + \beta_2\ AC_2 + \beta_3\ IBoC_3 + \beta_4\ CR_4 + \beta_5\ SSB_5 + \beta_6\ LEV_6 + \beta_7\ CS_7 + \beta_8\ CG_8 + \beta_9\ PRO_9 + \mathcal{E} \ ...(1)$$

The dependent variable was the corporate value. The independent variables were BoD (board of directors), AC (audit committee), IBoC (Independent Board of Commissioners), CR (current ratio), SSB (Sharia supervisory board), and LEV (leverage). The control variables were CS (Corporate Size), CG (Corporate Age), and PRO (Profitability). The regression coefficients for these variables were shown as ß1...ß6 and the error or residual was indicated as e.

RESULTS

Table 3. Descriptive Statistical Testing's Results

Variables	Obs	Min	Max	Mean	Std. Dev.
CV	55	0	3206.978	415.8715	614.9251
BoD	55	3.0000	10.0000	6.8546	2.3048
AC	55	2.0000	8.0000	3.8909	1.6630
IBoC	55	3.3334	7.5000	4.9916	1.1654
CR	55	0	91.0000	10.1793	19.1991
SSB	55	2.0000	4.0000	2.5273	7.1634
LEV	55	1.1163	2.4514	3.3906	4.0324
CS	55	25.7530	33.3538	28.6885	2.7678
CG	55	8.0000	81.0000	35.8182	24.8657
PRO	55	-0.9778	21.9909	5.2546	6.5460

Table 4. Simultaneous Test Results (F-Test)

R-squared	0.998213	Mean dependent var	3.474053
Adjusted R-squared	0.997243	S.D. dependent var	2.930018
S.E. of regression	0.153847	Akaike info criterion	-0.630434
Sum squared resid	0.828407	Schwarz criterion	0.099506
Log-likelihood	37.33693	Hannan-Quinn criter.	-0.348160
F-statistic	1029.030	Durbin-Watson stat	1.983044
Prob(F-statistic)	0.000000		

The Fixed Effect Model (FEM) showed that the Adjusted R-squared is 0.997. This indicated that the independent variables—specifically the Board of Directors, Audit Committee, Independent Board of Commissioners, Current Ratio, Sharia Supervisory Board, and Leverage—collectively explain 99% of the variance in corporate value. The remaining 0.27% was attributed to other variables not considered in this research. An F-test was conducted to assess the combined effect of all independent variables on the outcome variable. The Prob (F-statistic) value was 0.000, indicating a significant relationship. The F count value of 53.4589 exceeded the critical value of 2.5453 from the F table, confirming that Governance, Risk, Compliance, and Leverage collectively had a simultaneous effect on corporate value.

Table 5. Partial Test Results (T-Test) Without Control Variables

Variables	Coefficient	Std. Error	t-Statistics	Prob.
C	3.078158	0.588079	5.234263	0.0000
BoD	-0.461527	0.152183	-3.032714	0.0044
AC	0.766306	0.203929	3.757719	0.0006
IBoC	-1.479396	0.378668	-3.906844	0.0004
CR	-0.002492	0.001859	-1.340149	0.1882
SSB	0.307745	0.210853	1.459524	0.1526
LEV	1.073032	0.304377	3.525343	0.0011

Source: Eviews 12, 2024

The partial test without control variables indicated that the Board of Directors (BoD), Audit Committee (AC), Independent Board of Commissioners (IBoC), and Leverage (LEV) had a significant effect on corporate value, with probability values below 0.05. However, the Current Ratio (CR) and Sharia Supervisory Board (SSB) did not show a significant effect on corporate value.

Table 6. Partial Test Results (T-Test) With Control Variables

Variables	Coefficient	Std. Error	t-Statistics	Prob.
C	-28.39777	7.430949	-3.821554	0.0005
BoD	-0.466152	0.128645	-3.623560	0.0009
AC	0.848435	0.174701	4.856503	0.0000
IBoC	-0.512164	0.399385	-1.282384	0.2081
CR	0.000430	0.001725	0.249253	0.8046
SSB	-0.858078	0.336229	-2.552064	0.0152
LEV	1.026543	0.260695	3.937713	0.0004
CS	6.645352	1.557568	4.266492	0.0001
CG	-0.081129	0.024922	-3.255339	0.0025
PRO	0.004673	0.009087	0.514227	0.6103

Source: Eviews 12, 2024

After including control variables, the partial test results showed that the Board of Directors (BoD), Audit Committee (AC), Leverage (LEV), Corporate Size (CS), and Corporate Age (CG) continue to have a significant effect on corporate value. However, the Independent Board of Commissioners (IBoC), Current Ratio (CR), and Profitability (PRO) did not show a significant effect after control variables were included. Interestingly, the Sharia Supervisory Board (SSB) significantly negatively affected corporate value when control variables were included.

Overall, this research's results affirmed that corporate governance, risk management, compliance, and leverage were crucial in determining corporate value. Effective management, transparency, and strict compliance with regulations could enhance stakeholder trust and reduce conflicts of interest, promoting more effective and efficient decision-making. This also highlighted the importance of considering control variables such as corporate size and age to understand better the factors that affected corporate value.

DISCUSSION

Testing the effects of Governance, Risk, Compliance, and Leverage on Corporate value, with Corporate size, age, and profitability as control variables, revealed significant insights. Efficient governance ensured long-term viability, achieved company objectives, and enhanced shareholder value. Good governance practices boosted stakeholder confidence, promoted transparency, mitigated conflicts of interest, and optimized decision-making in line with ethical and regulatory standards. Effective risk management also minimized potential losses and supported organizational goals (Farook et al., 2011). Compliance with regulations reduced risk and maintained reputation, positively affecting corporate value. Additionally, leveraging debt could offer tax benefits that enhanced corporate value, as Munzir et al. (2023) stated. These findings supported previous research by Junaidi (2022) and Munzir et al. (2023) which demonstrated that Governance, Risk, Compliance, and Leverage significantly affected Corporate value (Kamaruddin & Haniffa, 2020). This research wonderfully showed that the combined effect of these independent and control variables, such as corporate size, age, and profitability, significantly affected corporate value.

Examining the board of directors' influence on corporate values revealed its significant impact on governance quality. Enhancing board membership supports agency theory, highlighting the board’s role in overseeing performance to prevent conflicts and losses, potentially leading to future value growth. Research by Carolina and Yuliandhari (2020) and Christine and Eny (2023), underscores this importance. Additionally, the impact of the Audit Committee on corporate value was notable, aligning with Permatasari & Yuliandhari (2019), which found that the audit committee partially influenced company value. This supported agency theory, as the audit committee oversaw financial performance to prevent conflicts and enhance value. Conversely, the Independent Board of Commissioners did not significantly impact corporate value, as indicated by (Pratama et al., 2020). Too many independent commissioners might reduce oversight effectiveness, potentially leading to financial reporting issues and lower corporate value. Overall, efficient governance by the board was crucial for long-term viability and enhanced shareholder value, consistent with the findings of Carolina and Yuliandhari (2020) and Christine and Eny (2023), emphasizing the board's crucial role in corporate governance.

When it came to the significance of the Current Ratio on Corporate values, it was implied that it had no partial impact on Corporate value. However, this surplus did not translate into increased profits, as these assets were primarily utilized for short-term debt settlement. Consequently, it could not be a benchmark for investment decisions and did not affect the corporation's value. These findings corroborate several earlier research, including Debora & Fernanda (2021) and Putri & Welas (2019), asserting that the Current Ratio did not affect a corporation's value. Effective risk management minimized potential losses and supported organizational goals. The significant effect of the audit committee on corporate value, as shown by the T-test results, aligned with agency theory. The audit committee's oversight role was critical in ensuring financial performance and protecting shareholders, consistent with the findings (Permatasari et al., 2019)

Findings on the role of the Sharia Supervisory Board in corporate value suggest that the Sharia Supervisory Board has a significant effect. Proprietary panels make Sharia Boards sufficient to monitor activities and social responsibilities and boost financial performance. Appointing a Sharia Supervisory Board ensures adherence to Sharia principles and compliance. Studies from Eksandy (2018) support these findings, as do studies by Maulana and Indrayanty (2022) and Rahman and Bukair (2013). The results align with agency theory, suggesting that adequate supervision by the Sharia Supervisory Board reduces agency conflicts and improves financial performance. Compliance with regulations maintains a corporation's reputation and reduces risk, positively affecting corporate value. The significant negative effect of the Sharia Supervisory Board on corporate value suggests that while it ensures adherence to Sharia principles, its rigorous oversight might impose operational constraints, aligning with the agency theory's perspective on reducing agency conflicts.

The results showed a substantial effect of leverage on the value signatures of corporations. The evaluation was also less effective when high leverage was used by investors because there was a high probability that the debt repayment would not be met. Managing long-term debts remained one of the prime responsibilities of a corporation to maximize the corporate value. If the return on investment exceeded the cost of debt, leverage could boost net income and corporate value. Leverage could enhance corporate value through tax benefits, provided the return on investment exceeded the cost of debt. However, a high debt-to-equity ratio increased risk. However, a high debt-to-equity ratio increased risk. However, a high debt-to-equity ratio increased risk. This research supported previous ones, such as Munzir et al. (2023), which found that leverage positively affected corporate value. The findings aligned with agency theory, suggesting that higher leverage improved information disclosure, reducing information asymmetry.

Testing the impact of corporate size as a control variable on corporate value showed a significant effect, with larger companies attracting more investor attention due to their stability, leading to higher stock prices and better funding opportunities. This finding aligned with Damayanti et al. (2024), which stated that corporate size affected value as larger corporates drew more investors. Regarding the corporate age, the research found a partial effect on corporate value. Older companies, recognized for their experience and product quality, tended to be more trusted and stable, supporting Abdullah et al. (2017), who stated that corporate age affected corporate value. In contrast, profitability as a control variable showed an insignificant partial effect on corporate value. Low profitability did not necessarily reduce long-term corporate value or affect stock prices significantly, as other factors might play a more crucial role. This research supported the findings of (Natalie & Lisiantara, 2022; Pratiwi & Aligarh, 2021). They indicated that high ROA did not automatically translate to higher stock prices. Overall, the research reinforced the relevance of corporate size and age in financial performance analysis while suggesting that profitability had a lesser impact. The results aligned with the findings of Damayanti et al. (2024) reinforcing the importance of these variables in financial performance analysis.

Overall, the research's results were consistent with theoretical expectations and previous empirical findings, validating the research model's assumptions. This alignment underscored the conclusions' reliability and suggested that the investigated factors played pivotal roles in determining the corporate value of Islamic banks in Indonesia. Future research could explore these dynamics in different contexts or over more extended periods to deepen the understanding of these relationships. Several essential conclusions were highlighted by the research on corporate governance and shareholder value in Indonesian Islamic banks. The T-test results demonstrated that the Sharia Supervisory Board significantly impacts corporate value, which was consistent with agency theory. The Sharia Supervisory Board's oversight function was essential to guaranteeing financial performance and safeguarding shareholders. The findings showed that having a sufficient Sharia Supervisory Board enhances financial performance through better oversight of operations and social responsibility disclosures. The research conducted by Eksandy (2018), Maulana & Indrayanty (2022) and Rahman & Bukair (2013) corroborated this conclusion. The differences in corporate governance practices and their effect on shareholder value could be analyzed by comparing the control group (non-Sharia) with the selected group (Sharia). The control group might be more vulnerable because there was no Sharia Supervisory Board to provide oversight and adhere to Sharia principles. Lower financial performance and decreased investor confidence could result from this. On the other hand, the chosen group with a Sharia Supervisory Board would gain from better governance and compliance, which would boost financial performance and shareholder value.

CONCLUSIONS

Efficient governance practices, effective risk management, and adherence to regulatory compliance enhanced shareholder value, organizational reputation, and decision-making processes. Leveraging debt also provided tax benefits, further boosting corporate value. These findings aligned with previous research and confirmed that robust corporate governance and strategic financial management were crucial for enhancing corporate value. Several vital factors affected corporate value, including PBV, Board of Directors composition, Audit Committee effectiveness, independent Board of Commissioners presence, Shariah Supervisory Board existence, and leverage. Higher PBV indicated better shareholder value creation and was often correlated with a higher stock price. Increasing board directors improved governance quality, while a robust audit committee enhanced supervision and disclosure, reducing fraudulent risks. However, more independent commissioners might reduce oversight effectiveness, leading to potential financial reporting fraud and hindering corporate value maximization.

While a larger current ratio implied better short-term obligation coverage, it might not significantly affect overall corporate value, necessitating a balanced approach. Sharia Supervisory Boards upheld Sharia principles, and effective leverage management could boost net profits and corporate value. Furthermore, control variables such as corporate size and age significantly affected corporate value, while profitability did not have a partial effect. More extensive and older companies attracted more investor attention and were better recognized and trusted by the public, contributing to higher stock prices and corporate value. This underscored the importance of maintaining stability, effective oversight, and strategic growth to maximize corporate value and investor confidence. The research also explained that corporate size, age, and profitability as control variables weakened the influence of independent commissioners on corporate value, as indicated by the decreased probability values. However, for the Sharia Supervisory Board's effect on corporate value, these control variables strengthened the effect, as reflected by the increased probability values. Therefore, companies must carefully consider and optimize these factors to maximize shareholder value and ensure long-term sustainability.

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