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Effect of Good Corporate Governance, Corporate Social Responsibility, and Intellectual Capital on The Profitability of Islamic Commercial Banks

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Abstract
This study aims to analyze the effect of Good Corporate Governance, Corporate Social Responsibility, and Intellectual Capital on the profitability of Islamic Commercial Banks in Indonesia. In facing increasingly intense competition in the Islamic banking industry, improvements in financial performance are not only determined by financial factors, but also by the quality of corporate governance, the implementation of social responsibility, and the management of intellectual capital. Therefore, this study examines the relationship among these variables within the context of Islamic banking. This research employs a quantitative approach using panel data analysis methods. The data used are secondary data obtained from the annual financial reports of Islamic Commercial Banks published by the Financial Services Authority during the 2020–2024 period. The analysis was conducted using panel data regression with the selection of the most appropriate model to examine the relationships among the research variables. The results indicate that Good Corporate Governance does not have a significant effect on profitability, while Corporate Social Responsibility and Intellectual Capital have a significant effect on the profitability of Islamic Commercial Banks. These findings suggest that aspects of social responsibility and intellectual capital management play an important role in enhancing the financial performance of Islamic banking institutions.

Keywords: *Good Corporate Governance; Corporate Social Responsibility; Intellectual Capital; Profitability; Islamic Commercial Banks.*
JEL Classification: *G21, G34, M14, O34*

1. INTRODUCTION

In recent years, the global economy has experienced increasingly dynamic changes. Financial crises, the pandemic, and geopolitical uncertainty have encouraged financial institutions across the world to strengthen their business foundations in order to remain resilient (OJK, 2024). One of the financial institutions that has taken steps to reinforce its business foundation is the banking sector. As a key component of the financial system in the international economy, banks are required not only to maintain financial stability but also to play an active role in supporting sustainable development. The emergence of the digital economy and the growing public awareness of ethical and responsible business practices further emphasize the importance of transformation within the banking industry (Hasan, 2020).

The increasingly open economic system resulting from the current era of globalization has intensified competition. While globalization creates opportunities, it simultaneously presents challenges for companies to achieve excellence within industry. Companies that can respond quickly to changes are believed to be more capable of sustaining their businesses. This can be achieved through the implementation of good corporate governance principles.

In Indonesia, the development of Islamic Commercial Banks has shown a positive trend in asset growth. The Financial Services Authority Otoritas Jasa Keuangan recorded that Islamic Commercial Banks assets continued to increase, reaching IDR 2,582.25 trillion in 2023 and growing further by 12.50% in 2024 (OJK, 2023; OJK, 2024). However, this asset growth has not fully reflected optimal financial performance. One of the main indicators used to assess bank financial performance is profitability (Devi & Firmansyah, 2020), which is proxied by Return on Assets (ROA). ROA reflects a bank's ability to manage its assets effectively to generate profits (Widarjono, 2018).

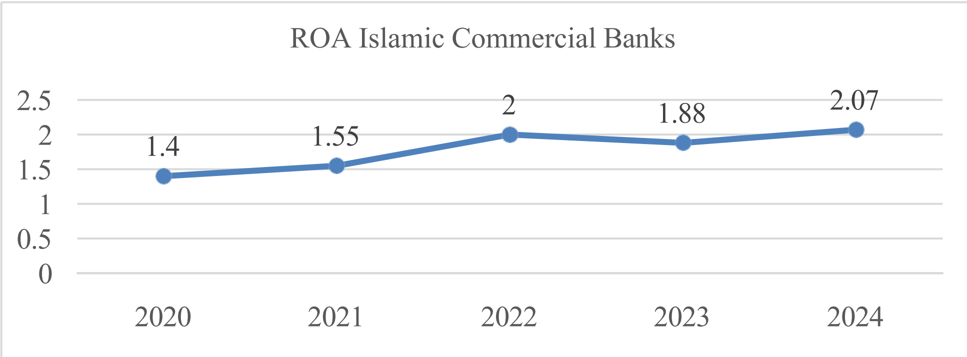

Figure 1. Graph ROA Islamic Commercial Banks period 2020-2024
Source: Islamic Commercial Banks Statistical Data, Financial Services Authority (Financial Services Authority, 2024)

Based on data from the Financial Services Authority (OJK), the development of the ROA of Islamic Commercial Banks during the 2020–2024 period shows a fluctuating and unstable trend. According to Lubis & Gami (2022), a good ROA is classified as being above 5.98%, while values below this threshold indicate suboptimal profitability. In 2020, the ROA of BUS stood at 1.40% due to the weakening of real sector activities during the Covid-19 pandemic. In 2021, ROA increased to 1.55% and reached its highest level of 2.00% in 2022, in line with economic recovery and improved asset management. However, ROA declined again to 1.88% in 2023 before rising to 2.07% in 2024. Although this improvement is evident, the ROA of BUS remains below the established standard, indicating that the profitability of Islamic Commercial Banks has not yet been fully optimal and continues to face challenges in generating sustainable profits (OJK, 2024).

Several non-financial factors are believed to also influence the profitability of Islamic Commercial Banks, including Good Corporate Governance (GCG), Corporate Social Responsibility (CSR), and Intellectual Capital (IC). The effective implementation of GCG is expected to enhance transparency and accountability, as well as minimize risks that may potentially reduce a bank's financial performance (Putri & Muhammad, 2024; Firmansyah & Devi, 2017; Rusydiana *et al.,* 2019). However, GCG practices in Islamic Commercial Banks still face challenges, particularly in terms of transparency and consistency in information disclosure, resulting in inconsistent findings in previous studies (Kaaffah & Tryana, 2020; Olimsar *et al*., 2023).

In addition to GCG, CSR is also regarded as an important strategy for building social legitimacy, enhancing reputation, and strengthening relationships with stakeholders (Awa *et al*., 2024). Effectively implemented CSR programs have been proven to make a positive contribution to corporate profitability and stability (Singh & Hong, 2023). Nevertheless, several studies have found that CSR does not always have a significant effect on profitability, indicating that its impact still shows mixed and inconsistent findings (Jayanto *et al*., 2023; Wardiwiyono & Jayanti, 2021).

IC is a strategic resource that plays an important role in supporting corporate sustainability and competitive advantage amid increasingly intense competition. IC is not merely viewed as an intangible asset, but also encompasses human resource competencies, effective organizational structures, and business relationship networks that support value creation within the firm (Hadli *et al*., 2022). Various previous studies indicate that the effects of Good Corporate Governance, Corporate Social Responsibility, and Intellectual Capital on the profitability of Islamic banking remain inconclusive and show inconsistent results (Md Husin *et al*., 2024; Soetanto & Liem, 2018; Lysandra *et al*., 2022).

Several studies have found that the implementation of GCG has a positive effect on financial performance through improved transparency and supervisory mechanisms; however, other studies indicate that GCG has not been able to have a significant impact on profitability (Khasanah & Setiawati, 2023; Fajri *et al*., 2022). Inconsistencies in findings are also observed with CSR, where some studies state that the disclosure of social responsibility has a positive effect on profitability, while other studies find an insignificant effect (Dewi & Pitawati, 2018; Pratiwi *et al*., 2020). Similar results are found for Intellectual Capital, which in several studies has been shown to enhance financial performance, but in other studies has not demonstrated a strong influence on the profitability of Islamic banks (Muziani *et al*., 2021; Etika, 2023).

These differences in findings indicate that the effects of GCG, CSR, and IC on profitability are still contextual in nature and require further examination in order to obtain more comprehensive empirical evidence. Optimal management of intellectual capital can enhance operational efficiency, encourage innovation, and strengthen relationships with stakeholders. Various studies show that strengthening Intellectual Capital contributes to increased productivity and long-term corporate profitability, making it an important instrument in supporting financial performance and business sustainability (Rahayu & Widiati, 2018).

The purpose of this study is to investigate the impact of intellectual capital, corporate social responsibility, and good corporate governance on the profitability of Indonesia's Islamic commercial banks. This study specifically seeks to determine the degree to which Islamic Commercial Banks' profitability, as determined by Return on Assets, is impacted by the application of GCG, the execution of CSR, and the management of IC between 2020 and 2024. This study is anticipated to offer a more thorough understanding of the factors influencing the profitability of Islamic commercial banks and to serve as a foundation for developing strategies to improve the financial performance of Islamic commercial banks by partially examining these three variables within a single research framework.

2. LITERATURE REVIEW

2.1. Stakeholder Theory

According to stakeholder theory, to achieve long-term success and legitimacy, organizations should recognize and take into account all parties that have an interest in, can influence, or are affected by the company's operations, including customers, employees, the government, society, and the environment. Recent research highlights that stakeholder theory encourages firms to recognize both internal and external stakeholder interests, emphasizing the need for active stakeholder management to support organizational sustainability and strategy. Mahajan *et al*. (2023) in the context of Islamic banking, the implementation of Good Corporate Governance serves as a mechanism to protect stakeholders' interests through transparency, accountability, and effective oversight, contributing to sustainability and stakeholder confidence in corporate practices. The implementation of Corporate Social Responsibility represents the company's social responsibility in meeting stakeholder expectations and building public trust, highlighting CSR's strategic role in addressing stakeholder needs and improving social value. In addition, the management of Intellectual Capital reflects the bank's efforts to optimize human resources, organizational systems, and business relationships to create added value that responds to stakeholder demands. Empirical studies suggest that intellectual capital can enhance organizational capabilities and support sustainable practices aligned with stakeholder expectations. Based on stakeholder theory, the optimal implementation of GCG, CSR, and Intellectual Capital management is expected to enhance the reputation, trust, and profitability of Islamic Commercial Banks by effectively balancing economic objectives with stakeholder interests.

Stakeholder theory emphasizes that firms are accountable not only to shareholders but also to a broad range of stakeholders whose interests may affect or be affected by corporate activities, including customers, employees, regulators, communities, and the environment. The theory argues that long-term organizational success and legitimacy depend on a firm's ability to balance and integrate these diverse stakeholder interests into its strategic decision-making processes (Freeman & Phillips, 2021). Recent studies further highlight that effective stakeholder management enhances corporate sustainability by aligning economic performance with social and ethical responsibilities. Within the context of Islamic banking, stakeholder theory becomes particularly relevant due to the ethical and value-based foundations of Sharia principles. The implementation of Good Corporate Governance plays a crucial role in safeguarding stakeholder interests through transparency, accountability, fairness, and effective monitoring mechanisms. Strong governance structures help reduce agency problems, improve managerial discipline, and ensure that banks operate in accordance with both regulatory requirements and stakeholder expectations, thereby reinforcing institutional credibility and long-term sustainability (Homaidi *et al*., 2022).

2.2. Good Corporate Governance

Good Corporate Governance (GCG) refers to a set of mechanisms designed to ensure that corporate management is conducted in a sound, transparent, and accountable manner in accordance with the interests of stakeholders, particularly fund owners (Eksandy, 2018). In the context of Islamic banking, the implementation of GCG aims to ensure that all business processes are carried out in line with the principles of accountability, transparency, responsibility, independence, and fairness. Sound corporate governance also functions as an effective internal control system to prevent irregularities, enhance the quality of supervision, and maintain business sustainability (Dwijayanti *et al*., 2021; Salmah & Devi, 2023). Several previous studies have indicated that the implementation of GCG is positively associated with the performance and profitability of Islamic banking institutions. Research conducted by Dwijayanti *et al*.

(2021) found that the consistent application of GCG mechanisms is able to improve asset management efficiency and positively affect ROA. Similarly, Eksandy (2018) emphasized that high-quality corporate governance plays an important role in supporting more effective managerial decision-making, which in turn contributes to improved bank profitability. Therefore, the implementation of GCG should not merely be viewed as a regulatory obligation, but also as a strategic guideline in achieving optimal financial performance. The proper application of GCG principles is expected to enhance stakeholder trust and support the achievement of Islamic Commercial Bank profitability, which is commonly measured using Return on Assets.

2.3. Corporate Social Responsibility

Corporate Social Responsibility (CSR) represents a company's social and environmental responsibility in supporting the sustainability of its business operations. In Islamic banking, CSR is understood as a commitment to balancing profit achievement with social interests and compliance with Sharia values that emphasize justice and public welfare (*maslahah*) (Solihudin, 2017) encompasses efforts to safeguard broader social welfare, including environmental protection, improvement of social well-being, and support for education and community development (Setiyowati & Azqiya, 2022). In addition, CSR disclosure in Islamic Commercial Banks is generally measured using the Islamic Social Reporting (ISR) Index**,** which serves as an instrument to assess the level of corporate transparency regarding social and environmental activities (Hidayat *et al*., 2024). Several previous studies have demonstrated that effective CSR implementation contributes positively to the financial performance of Islamic banking institutions. Anggraeni & Gultom (2024) found that CSR activities enhance corporate reputation and strengthen public trust, which ultimately has a positive impact on profitability as measured by Return on Assets. Similarly, Singh & Hong (2023) reported that sustainable CSR practices are able to improve financial performance by strengthening stakeholder relationships and reducing operational risks. Therefore, CSR in Islamic banking should not merely be regarded as a compliance requirement, but as a strategic instrument that supports long-term sustainability and financial performance. The consistent implementation and transparent disclosure of CSR activities are expected to enhance stakeholder trust and contribute to improved profitability of Islamic Commercial Banks.

2.4. Intellectual Capital

Intellectual Capital (IC) refers to intangible assets that reflect the collective knowledge, skills, and experience possessed by individuals and organizations in creating corporate value. Intellectual capital is considered a crucial factor in supporting long-term success, even though it is not directly reflected in financial statements (Soetanto & Liem, 2018). As a form of *hidden value*, IC plays an important role in driving innovation, improving service quality, and enhancing corporate competitiveness. According to T. R. Pratiwi (2017), intellectual capital consists of three main components: human capital**,** structural capital, and relational capital**,** which jointly support organizational performance and sustainability. Human capital represents employees' competencies, expertise, and creativity; structural capital reflects organizational systems, procedures, and technologies that support operational efficiency; while relational capital relates to relationships with customers, partners, and other stakeholders. Several previous studies have provided empirical evidence regarding the importance of intellectual capital in improving financial performance. Muh. Muziani *et al*. (2021) found that effective management of intellectual capital contributes positively to firm performance, as knowledge-based resources enable companies to utilize assets more efficiently. Similarly, Oktafiani *et al*. (2022) emphasized that intellectual capital plays a strategic role in strengthening the competitiveness and sustainability of Islamic banking institutions. These findings indicate that banks with well-managed intellectual capital are better positioned to generate value and improve profitability. Therefore, intellectual capital should be viewed as a strategic resource that supports value creation and financial performance. The effective management of human, structural, and relational capital is expected to enhance operational efficiency (Devi & Firmansyah, 2020), and ultimately improve the profitability of Islamic Commercial Banks, as measured by Return on Assets.

3. METHODOLOGY

This study employs a quantitative research design with an explanatory approach, aiming to explain the causal relationships between Good Corporate Governance, Corporate Social Responsibility, and Intellectual Capital and the profitability of Islamic Commercial Banks. The data used are panel data, which combines time series and cross-sectional data. Time series data are utilized to observe changes in variables over time, such as the development of Return on Assets from 2020 to 2024, while cross-sectional data are employed to compare conditions among Islamic Commercial Banks within the same period. The data are sourced from secondary data in the form of annual reports and sustainability reports of Islamic Commercial Banks officially published by the Financial Services Authority (Otoritas Jasa Keuangan/OJK) during the 2020–2024 period. In this study, the data collection techniques employed are documentation and literature review. Documentation is a method of collecting data through various forms of archives, documents, books, written records, numerical data, and visual materials. The data obtained from documentation generally consists of reports or records accompanied by relevant explanations that support the accuracy and reliability of the research. Meanwhile, the literature review is conducted by examining and analyzing various sources such as scientific journals, books, and information obtained from the internet to support and strengthen the research process.

Table 1. Research Sample Criteria

No	Criteria	Number
1	Islamic Commercial Banks registered with the Financial Services Authority (Otoritas Jasa Keuangan) during the 2020–2024 period	14
2	Banks that publish annual reports and sustainability reports for the 2020–2024 period	9
3	Banks that did not undergo any mergers during the 2020–2024 period	9
4	**Number of selected research samples**	**9**
	Total of Data (N)	**45**

Based on the above research sample criteria, the companies selected as samples are shown in Table 2 below:

Table 2. Research Sample List

No	Company Name	Link of Website
1	Bank Muamalat Indonesia Tbk.	https://www.bankmuamalat.co.id/
2	Bank BTPN Syariah Tbk.	https://www.btpnsyariah.com/
3	Bank Panin Dubai Syariah Tbk	https://ibb.pdsb.co.id/ibb-va
4	Bank KB Bukopin Syariah Tbk.	https://www.kbbanksyariah.co.id/
5	Bank Mega Syariah Tbk	https://www.megasyariah.co.id/
6	Bank Aceh Syariah Tbk.	https://bankaceh.co.id/
7	Bank BCA Syariah Tbk.	https://www.bcasyariah.co.id/
8	Bank NTB Syariah Tbk.	https://www.bankntbsyariah.co.id/
9	Bank Jabar Banten Syariah Tbk.	https://www.bjbsyariah.co.id/

4. RESULT AND ANALYSIS

Stakeholders, consisting of the Board of Directors, the Board of Commissioners, and the Sharia Supervisory Board (SSB), play an important role in ensuring the implementation of GCG principles in Islamic banking institutions. The performance of good governance is not merely assessed based on organizational structure, but also on the extent to which the principles of transparency, accountability, responsibility, professionalism, and fairness are effectively implemented across all levels of management. To evaluate the extent to which these principles are applied, Bank Indonesia, through Circular Letter No. 12/13/DPbS of 2010, established the composite rating method as a measure of GCG implementation. The assessment of GCG is conducted through an annual self-assessment by each Islamic Commercial Bank (ICB), in which institutions are assigned ratings ranging from 1 to 5 based on their level of compliance with governance criteria. These ratings are briefly described as follows:

Table 3. GCG Rating

Rating	Assessment
1	The implementation of GCG is highly compliant with the criteria (very good)
2	The implementation of GCG is compliant with the criteria (good)
3	The implementation of GCG is moderately compliant with the criteria (fairly good)
4	The implementation of GCG is less compliant with the criteria (poor)
5	The implementation of GCG is non-compliant with the criteria (very poor)

Source: Bank Indonesia Circular Letter No. 12/13/DPbS of 2010

The composite score is derived from the results of self-assessments conducted by each Islamic Commercial Bank (ICB). This composite score reflects the overall quality of GCG implementation, which is classified as follows:

Table 4. Composite Rating Score

Composite Rating Level Score	Composite Predicate
Composite score < 1,5	Very Good
1,5 ≤ composite score < 2,5	Good
2,5 ≤ composite score < 3,5	Fairly Good

Composite Rating Level Score	Composite Predicate
3.5 ≤ composite score < 4.5	Poor
4.5 ≤ composite score < 5.0	Very Poor

Source: Bank Indonesia Circular Letter No. 12/13/DPbS of 2010

The measurement formula for Good Corporate Governance can be conceptually explained as follows:

GCG = Composite Score of the Self-Assessment

In measuring the implementation of Corporate Social Responsibility in this study, the Global Reporting Initiative (GRI) Standards 2021 are employed through the Corporate Social Responsibility Disclosure Index (CSRDI). These standards comprise 126 indicators grouped into 35 disclosure categories. Each indicator disclosed by the company is assigned a score of one (1), indicating that when a CSR item is disclosed, the company receives a score of 1. Conversely, if the item is not disclosed, a score of zero (0) is assigned. All of these indicators are used to assess the extent to which the company implements and communicates its social responsibility through the sustainability report. According to Putri *et al*. (2023), the formula used to calculate the level of CSR disclosure is as follows:

$$\text{CSRI} = \frac{\sum Xs}{n}$$

where:
CSRI = Corporate Social Responsibility Index
Xs = Number of disclosed indicator items
n = Total number of CSR indicator items

Moreover, one of the methods widely used to measure Intellectual Capital is the Value Added Intellectual Coefficient (VAIC), introduced by Pulic (2004). VAIC evaluates the extent to which a company can generate value added (Value Added/VA) through the utilization of its available capital. The VAIC framework consists of three main indicators: VAHU (Value Added Human Capital), which measures the contribution of human capital; STVA (Structural Capital Value Added), which assesses the effectiveness of structural capital; and VACA (Value Added Capital Employed), which indicates the efficiency of invested capital utilization. Through this approach, companies can evaluate how effectively intellectual assets are managed to support operations, innovation, and sustainable business strategies. Thus, several stages of calculation using the formulation developed by Pulic (2004) are as follows:

Value Added (VA)
VA = OUT − IN
Where:
OUT = Output, consisting of total sales and other revenues
IN = Input, consisting of expenses and costs (excluding employee expenses)

Value Added Human Capital (VAHU)
VAHU = VA / HC
Where:
VA = Value Added
HC = Employee expenses (human capital)

Value Added Capital Employed (VACA)
VACA = VA / CE
Where:
VA = Value Added
CE = Capital Employed (available funds, including equity and net income)

Structural Capital Value Added (STVA)
STVA = SC / VA
Where:
SC = Structural Capital (VA − HC)
VA = Value Added - Value Added Intellectual Capital (VAIC™)

VAIC™ = VAHU + VACA + STVA

Descriptive Analysis Results

In this study, descriptive statistical analysis is used to provide a comprehensive overview of the data characteristics of each independent variable, namely Good Corporate Governance, Corporate Social Responsibility, and Intellectual Capital, as well as the dependent variable, profitability, which is proxied by Return on Assets. Descriptive statistics are presented through the minimum value, maximum value, mean, and standard deviation, allowing the distribution of data and the general trends of each variable during the research period to be observed.

Table 5. Descriptive Statistics Results

Variable	Minimum	Maximum	Mean	Stand Dev	N(observations)
GCG	1.000000	2.500000	1.700000	0.515664	45
CSR	0.071429	0.531746	0.290123	0.150751	45
IC	0.103945	46.91129	3.900416	6.769726	45
ROA	-7.130000	11.43000	1.498222	3.343821	45

Based on the results of the descriptive statistical analysis presented in Table 5, it can be observed that each research variable exhibits different characteristics and levels of data dispersion. For the Good Corporate Governance variable, the minimum value is 1.00 and the maximum value is 2.500000, with a mean value of 1.700000 and a standard deviation of 0.515664. These results indicate that governance practices in Islamic Commercial Banks during the 2020–2024 period tend to fall within a moderate category. The relatively small gap between the minimum and maximum values also suggests that the quality of Good Corporate Governance implementation among these banks is relatively consistent, although moderate variation still exists.

The Corporate Social Responsibility variable also shows a varied data distribution, with a minimum value of 0.071429, a maximum value of 0.531746, and a mean value of 0.290123, accompanied by a standard deviation of 0.150751. These values reflect that the intensity and completeness of Corporate Social Responsibility disclosure among banks are not yet fully uniform. However, the mean value, which falls within a moderate range, indicates that Islamic banks have generally implemented and disclosed social responsibility activities at a reasonably good level.

Meanwhile, the Intellectual Capital variable exhibits much greater variation compared to the other variables. This is evident from the minimum value of 0.103945 and the maximum value of 46.91129, resulting in a mean value of 3.900416 and a standard deviation of 6.769726. This very wide range of values indicates significant differences in banks' ability to manage knowledge-based resources, such as employee competencies, organizational systems, and external relationships. Some banks appear to be highly effective in utilizing intellectual capital, while others remain at relatively lower levels.

For the profitability variable, which is proxied by Return on Assets, the minimum value is recorded at -7.130000, while the maximum value reaches 11.43000, with a mean value of 1.498222 and a standard deviation of 3.343821. This relatively wide dispersion indicates that the profitability performance of Islamic banks during the research period experienced substantial fluctuations. Some banks were able to achieve high profits, while others faced financial pressure resulting in considerable losses. This variation also illustrates that the effectiveness of asset management among banks has not been uniform.

Selection of the Regression Model
Chow Test

Table 6. Chow Test

Effects Test	*Statistic*	*d.f*	*Prob.*
Cross-section F	11.432095	(8,33)	0.0000
Cross-section Chi-square	59.735285	8	0.0000

Based on the results of the Chow Test presented in Table 6, the probability value of the Cross-section F statistic is 0.0000, which is well below the significance level of 0.05. Therefore, the Fixed Effect Model (FEM) is considered more appropriate than the Common Effect Model. The next step is to conduct the Hausman Test to determine the most suitable model between the Fixed Effect Model and the Random Effect Model (REM).

Hausman Test

Table 7. Hausman Test

Test Summary	*Chi-Sq. Statistic*	*Chi-Sq. d.f.*	*Prob.*
Cross-section random	1.857538	3	0.6025

Based on the results of the Hausman Test presented in Table 7, the Chi-square value is 1.857538 with 3 degrees of freedom (df), and the probability value is 0.6025, which is greater than the significance level of 0.05. Therefore, the Random Effect Model (REM) is selected as the appropriate model. The next step is to conduct the Lagrange Multiplier Test.

Lagrange Multiplier Test

Table 8. Lagrange Multiplier Test

	Cross-section	*Time*	*Both*
Breusch-Pagan	33.28596	1.604929	34.89089
	(0.0000)	(0.2052)	(0.0000)

Based on Table 8, which presents the results of the Lagrange Multiplier (LM) Test, the Cross-section probability value is 0.0000, which is lower than the significance level of 0.05. Therefore, the final model selected for this study is the Random Effect Model (REM). According to Tambun & Sitorus (2025), the Random Effect Model does not require strict classical assumption tests as in the Common Effect Model or the Fixed Effect Model. This is because REM employs the Generalized Least Squares (GLS) estimation method, which inherently accounts for heteroscedasticity and correlation across individuals in panel data.

Hypothesis Test
T Test

Table 9. T Test

Variable	Coefficient	Std.Error	t-Statistic	Prob.
C	-0.464977	0.204018	-2.279099	0.0279
GCG	-0.489372	0.317570	-1.540990	0.13100
CSR	0.579683	0.203081	2.854441	0.0067
IC	0.304423	0.106832	2.849546	0.0068

1) **The Effect of GCG on the Profitability of Islamic Commercial Banks for the 2020–2024 Period**
   The Good Corporate Governance variable has a regression coefficient value of -0.489372, a t-statistic value of –1.540990, and a probability value (p-value) of 0.1310. The negative coefficient indicates that each one-unit increase in Good Corporate Governance is followed by a decrease in profitability (Return on Assets) of 0.489372 units, if the other independent variables remain constant. The direction of this coefficient reflects an inverse relationship between Good Corporate Governance and profitability. Based on the partial test results, the probability value of Good Corporate Governance is 0.1310, which is greater than the significance level of 0.05 therefore, the hypothesis stating that Good Corporate Governance influences profitability is **rejected**. Thus, it can be concluded that, partially, Good Corporate Governance does not have a significant effect on the profitability of Islamic Commercial Banks.

2) **The Effect of CSR on the Profitability of Islamic Commercial Banks for the 2020–2024 Period**
   The Corporate Social Responsibility variable has a positive regression coefficient value of 0.579683, a t-statistic value of 2.854441, and a probability value (p-value) of 0.0067. The positive coefficient indicates that each one-unit increase in Corporate Social Responsibility leads to an increase in profitability (Return on

Assets) by 0.579683 units, assuming that other variables remain constant. This indicates a positive relationship between Corporate Social Responsibility and profitability. Based on the partial test results, the probability value of Corporate Social Responsibility is 0.0067, which is lower than the significance level of 0.05 therefore, the hypothesis stating that Corporate Social Responsibility has an effect on profitability is **accepted**. Thus, it can be concluded that, partially, Corporate Social Responsibility has a significant effect on the profitability of Islamic Commercial Banks.

3) **The Effect of Intellectual Capital on the Profitability of Islamic Commercial Banks for the 2020–2024 Period**
The Intellectual Capital variable has a positive regression coefficient value of 0.304423, a t-statistic value of 2.849546, and a probability value (p-value) of 0.0068. The positive coefficient indicates that each one-unit increase in Intellectual Capital leads to an increase in profitability (Return on Assets) by 0.304423 units, if the other independent variables remain constant. This indicates a positive relationship between Intellectual Capital and profitability. Based on the partial test results, the probability value of Intellectual Capital is lower than the significance level of 0.05; therefore, the hypothesis stating that Intellectual Capital influences profitability is **accepted**. Thus, it can be concluded that, partially, Intellectual Capital has a significant effect on the profitability of Islamic Commercial Banks.

Coefficient of Determination (R^2)

Table 10. Coefficient of Determination (R^2)

R-squared	0.534445
Adjusted R-squared	0.509748

The R-squared value of 0.534445 indicates that Good Corporate Governance, Corporate Social Responsibility, and Intellectual Capital simultaneously explain 53% of the variation in the profitability (ROA) of Islamic Commercial Banks, while the remaining 47% is influenced by other factors outside the research model. These results indicate that the regression model has a reasonably good explanatory power. These results indicate that the regression model has a reasonably good explanatory power, indicating that the profitability of Islamic Commercial Banks is substantially influenced by strategic non-financial factors that support value creation and organizational sustainability. This finding is consistent with recent empirical studies which emphasize that governance mechanisms, social engagement, and intellectual-based resources collectively enhance banks' ability to generate returns by improving internal efficiency, strengthening stakeholder confidence, and fostering long-term competitiveness (Ridha & Juliani, 2024). Moreover, studies in the Islamic banking context highlight that intellectual capital and socially responsible practices function as key drivers of financial performance by optimizing asset utilization and reinforcing reputational capital in highly regulated financial environments (Jati & Irsyad, 2024). Nevertheless, the unexplained proportion of profitability variation suggests that banking performance is also affected by other determinants, such as operational efficiency, financing quality, risk exposure, and macroeconomic conditions, which have been widely documented as significant factors influencing bank profitability but remain outside the scope of the present model (Syahriza & Anggraini, 2023).

Furthermore, the moderate level of explanatory power reflected by the R-squared value indicates that profitability in Islamic Commercial Banks cannot be fully captured by governance, social responsibility, and intellectual capital alone. Recent studies argue that banking profitability is a complex outcome shaped by both structural and environmental factors, including cost efficiency, asset quality, risk management practices, and macroeconomic stability, which interact dynamically with non-financial strategies (Buallay, 2021). In the context of Islamic banking, this complexity is further amplified by regulatory compliance and Sharia governance requirements, which may moderate the effectiveness of governance mechanisms and social initiatives in generating financial returns (Indrianasari *et al*., 2025). Therefore, while the current model provides meaningful insights into the strategic role of non-financial factors, the remaining unexplained variation highlights the need for future research to incorporate broader operational and macroeconomic variables to obtain a more comprehensive understanding of profitability determinants in Islamic Commercial Banks.

Islamic Perspective

Islam views economic activities as an integral part of worship that must be carried out while upholding ethical values and social responsibility. The management of Islamic financial institutions requires sound governance, social awareness, and the continuous development of human resource quality as interconnected and complementary elements. The principle of Good Corporate Governance functions to ensure that decision-making processes are conducted in a transparent and accountable manner, Corporate Social Responsibility reflects the institution's concern for the welfare of society and the environment, while Intellectual Capital emphasizes the importance of knowledge, competence, and innovation within the organization. These three aspects play a vital role in maintaining the sustainability of Islamic banks while ensuring that their operations remain aligned with Sharia principles and Islamic ethical values. From an Islamic perspective, the concept of *khalifah* (vicegerency) emphasizes the responsibility of human beings as trustees who are entrusted with managing resources in a responsible, transparent, and accountable manner. In the context of Islamic banking, this responsibility is reflected in the implementation of sound corporate governance, the fulfilment of corporate social responsibility, and the effective management of intellectual capital. These practices represent institutional stewardship that seeks not only to achieve financial performance but also to promote justice, sustainability, and the broader welfare of society in accordance with the objectives of Sharia (*maqasid al-shariah*).

5. CONCLUSION AND RECOMMENDATION

The research findings indicate that Good Corporate Governance does not have a significant effect on the profitability of Islamic Commercial Banks, suggesting that the implementation of corporate governance has not been able to directly contribute to improvements in Return on Assets (ROA). In contrast, Corporate Social Responsibility is proven to have a significant effect on profitability, indicating that the consistent implementation of social responsibility programs contributes to enhancing reputation, customer trust, and the banks' financial performance. Furthermore, Intellectual Capital also has a significant influence on profitability, confirming that effective management of knowledge-based resources, organizational systems, and business relationships plays a crucial role in creating added value and driving profit growth in Islamic Commercial Banks.

Overall, the findings of this study indicate that improving the profitability of Islamic Commercial Banks cannot rely solely on the formal implementation of Good Corporate Governance, as existing governance mechanisms have not yet been able to directly enhance Return on Assets. In contrast, Corporate Social Responsibility and Intellectual Capital are proven to be strategic factors that significantly influence financial performance. This suggests that the consistent implementation of social responsibility programs and the effective management of intellectual capital encompassing human resources quality, organizational systems, and business relationships play a crucial role in creating added value and sustaining profitability. Therefore, Islamic Commercial Banks are encouraged to optimize Corporate Social Responsibility initiatives and strengthen the development of Intellectual Capital, while ensuring that Good Corporate Governance is implemented not merely as administrative compliance, but substantively to support long-term sustainability and competitiveness in an increasingly competitive banking industry.

Based on the research findings and conclusions obtained, this study provides several recommendations that are expected to serve as considerations for relevant stakeholders in the future. For Islamic banking institutions, it is recommended to enhance the quality of Good Corporate Governance implementation in a more substantive and effectiveness-oriented manner, rather than merely focusing on regulatory compliance. Strengthening the roles of the board of directors, independent commissioners, and audit committees is necessary to ensure that supervisory functions and managerial decision-making processes operate more optimally. Improved governance practices are expected to have a positive impact on banks' financial performance in the long term. Furthermore, Islamic Commercial Banks should continue to develop and optimize the implementation of Corporate Social Responsibility in a sustainable and well-targeted manner. Corporate Social Responsibility programs that are aligned with community needs and Islamic values can strengthen banks' image and reputation, while simultaneously increasing customer trust and loyalty. Therefore, Corporate Social Responsibility should be positioned as an integral part of business strategy that supports the achievement of profitability and business sustainability.

In addition, the management of Islamic Commercial Banks is advised to place greater emphasis on the management of Intellectual Capital. Enhancing human resource competencies, strengthening organizational systems and procedures, and developing extensive business relationships are expected to drive operational efficiency and innovation. The optimization of intellectual capital can serve as a crucial factor in improving banks' competitiveness and financial performance in a sustainable manner. For future researchers, it is recommended to include additional variables that may influence the profitability of Islamic Commercial Banks, such as firm size, financing risk, operational efficiency, and macroeconomic factors. Future studies may also extend the observation period or apply different methodological approaches to obtain more comprehensive results and to better reflect the conditions of Islamic banking in greater depth.

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