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Analysis of Determinants of Sustainability of Islamic Banks in Indonesia with Islamicity Financial Performance Index as an Intervening Variable

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ABSTRACT

Introduction: To investigate the determinants of sustainable Islamic banking in Indonesia by integrating financial performance, maqashid sharia (zakat and CSR), and Islamic governance, with the Islamicity Financial Performance Index (IFPI) as a mediating variable.
Methods: Quantitative research using 176 quarterly observations from four Islamic commercial banks listed on the Indonesia Stock Exchange (2015–2024). Data analysis was conducted using Partial Least Squares Structural Equation Modeling (PLS-SEM).
Results: Financial performance, maqashid sharia, and Islamic governance positively and significantly affect IFPI, which in turn strongly impacts sustainable Islamic banking. IFPI also mediates the relationship between these variables and sustainability, highlighting that economic, social, and spiritual integration drives long-term bank sustainability.
Originality: This study introduces IFPI as a mediating variable, providing a comprehensive framework that links financial performance with sharia compliance and social responsibility, offering a novel perspective in measuring Islamic banking performance
Conclusion and suggestion: Islamic banks should strengthen the integration of financial and sharia principles by optimizing zakat, CSR, and governance mechanisms to enhance long-term sustainability. Future research may expand samples or include additional factors like digitalization or green banking to enrich findings.

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1. Introduction

The Islamic banking industry in Indonesia has shown significant growth in recent years. In the implementation of the Financial Authority Law (2024), it was recorded that the total assets of Islamic banks reached around IDR 980.30 trillion with a growth of 9.88% year-on-year, accompanied by an increase in financing to IDR 643.55 trillion and Third Party Funds (DPK) of IDR 753.60 trillion (OJK, 2025). In addition, overall, the financial performance of Islamic banks shows a Return on Assets (ROA) of 2.04% and a Non-Performing Financing (NPF) ratio of around 2.12% (Rezeki et al., 2026). This shows that the macro level of the Islamic banking industry is relatively stable and continues to grow.

However, this growth has not fully reflected the sustainability situation at the micro level, especially among any commercial bank. Based on empirical data from Islamic banks listed on the Indonesia Stock Exchange between 2015 and 2024, there are significant fluctuations in financial performance indicators such as ROA, BOPO, Financing to Deposit Ratio (FDR), and NPF (Kartika et al., 2025). Some banks show unstable profitability, even declining in certain periods, followed by relatively high BOPO ratios, which indicate poor operational efficiency. On the other hand, although there are banks with fairly good liquidity levels, the quality of their lending, as indicated by the NPF, still fluctuates. This situation shows that financial performance has not been able to consistently support sustainable operations.

In addition to financial performance, the sustainability of Islamic banking also depends on how well the principles of sharia maqashid are applied in daily operations (Alhammadi et al., 2022). In this study, sharia maqashid was approached through social activities such as zakat and Corporate Social Responsibility (CSR) (Hasan et al., 2026; Rukmana, 2022). Although both indicators show the bank's social commitment, empirical data shows that the contribution of zakat and CSR still varies between banks and is not fully optimal (Syiami & Muflih, 2024). This highlights the gap between the achievement of financial performance and the implementation of social values in Islamic banking.

In addition, the aspect of sharia governance, through the role of the Sharia Supervisory Board, is also an important factor in ensuring compliance with Islamic principles and supporting sustainability (Ajili & Bouri, 2018). However, the effectiveness of DPS in integrating financial performance and Islamic principles still shows mixed results (Mollah & Zaman, 2015). This shows that the governance mechanism has not been fully effective in strengthening the sustainability of Islamic banks.

To explain the complex relationship between financial performance, Islamic goals, and governance in relation to sustainability, an integrated approach is needed. In this study, the Islamic Financial Performance Index (IFPI) was used, which consists of Profit Sharing Ratio (PSR), Zakat Performance Ratio (ZPR), Fair Distribution Ratio (EDR), and Halal Income Ratio (IsIR). IFPI is seen as able to represent the bank's performance not only from a financial perspective, but also from the aspect of Islamic compliance and distribution of economic justice (Andraeny & Putri, 2017).

In theory, this research is based on the Sharia Corporate Theory (SET), which emphasizes that the main goal of a Sharia-compliant entity is not only to generate profits, but also to achieve prosperity (fallah) by balancing economic, social, and spiritual aspects (Sri et al., 2019). In the context of the implementation of Islamic banking, this theory explains that financial performance indicators (ROA, BOPO, FDR, NPF), the implementation of Islamic principles (zakat and CSR), and Sharia governance (DPS) must be integrated to achieve sustainability.

The Islamic Financial Performance Index (IFPI) serves as an operational representation of the SET, as it effectively measures how well Islamic banks are not only making profits but also simultaneously upholding the principles of fair distribution, compliance with Sharia law, and social responsibility (Indra & Supriani, 2024; Safiullah, 2021). The novelty of this research lies in the use of IFPI as an intermediate variable that links financial performance, sharia maqashid, and Islamic governance with sustainability, thus offering a new perspective in integrating financial aspects and Sharia values into a comprehensive structural model.

Based on the empirical implementation and identified research gaps, this study is important to be conducted using a quantitative approach based on quarterly data from Sharia commercial banks listed on the Indonesia Stock Exchange during the period 2015–2024. This study combines financial performance variables (ROA, BOPO, FDR, NPF), sharia maqashid (zakat and CSR), and Islamic governance (DPS), with the Sharia Financial Performance Index (IFPI) as an intermediate variable in the structural model. Using the Partial Least Squares Structural Equation Modeling (PLS-SEM) method, this study aims to provide a deeper understanding of the relationship between variables and their implications for the sustainability of Islamic banking in Indonesia.

2. Literature Review

a. Sharia Enterprise Theory

Sharia Corporate Theory (SET) emphasizes that the main goal of a Sharia entity is not solely profit-oriented, but also the achievement of prosperity (fallah) through a balance between economic, social, and spiritual aspects (Sri et al., 2019). This theory states that a company's responsibility is not only to its shareholders, but also to God, people, and the environment (Please et al., 2022). In the context of Sharia implementation, SET explained that sustainability is achieved through the integration of financial performance, implementation of Sharia goals, and Sharia governance. So, performance measures are not just about financial results, but also include adherence to Sharia principles, fair distribution, and social responsibility (Joudar et al., 2023).

b. Financial Performance

Financial performance is a key indicator to measure the operational success of a bank, and is usually assessed using metrics such as Return on Assets (ROA), BOPO, Financing to Deposit Ratio (FDR), and Non-Performing Financing (NPF) (Joudar et al., 2023). In the implementation of profit generation, BOPO reflects operational efficiency, FDR indicates liquidity, and NPF measures credit risk. Previous studies have shown that good financial performance helps banks stay sustainable because they demonstrate stability and the ability to survive over the long term (Kurnia et al., 2024; Safiullah, 2021). However, fluctuations in these indicators can affect the consistency of sustainability.

c. Maqashid Sharia

The main goal of Sharia in economic activities is to achieve justice, prosperity, and equitable distribution. In this study, sharia maqashid was approached through zakat and Corporate Social Responsibility (CSR) (Rukmana, 2022). Zakat functions as a tool for wealth redistribution, while CSR reflects corporate social responsibility (Mulyani & Santosa, 2024). Empirical studies show that the implementation of sharia maqashid can increase social legitimacy and support the sustainability of Islamic banking (Alhammadi et al., 2022). However, its implementation is still not very effective in many banks.

d. Islamic Governance

Islamic governance in Islamic banking is carried out through the role of the Sharia Supervisory Board, which is responsible for ensuring compliance with Sharia principles. DPS is responsible for monitoring the bank's products, operations, and policies to ensure that everything follows the guidelines of Islamic law (Al-Hunnayan, 2020). Research shows that effective Sharia governance can increase stakeholder trust and strengthen bank sustainability (Farook; et al., 2011). However, the effectiveness of DPS in practice still shows mixed results.

e. Islamicity Financial Performance Index

The Islamicity Financial Performance Index (IFPI) is a measure that combines financial performance with Sharia compliance (Ajili & Bouri, 2018). This index includes four ratios: Profit Sharing Ratio/PSR, Zakat Performance Ratio/ZPR, Equitable Distribution Ratio/EDR, and Halal Income Ratio/IsIR. IFPI offers a more complete approach than traditional financial indicators because it reflects values such as fairness, distribution, and adherence to Islamic principles. In previous studies, IFPI was used as a performance indicator, but in this study, IFPI was positioned as an intermediate variable that bridges the relationship between variables (Ghoniyah et al., 2024; Hamidi et al., 2024).

f. Sustainability

Sustainability in Islamic banking means the ability of banks to continue to perform well over a long period of time by considering economic, social, and Islamic aspects (Hamidi et al., 2024). Sustainability is not just about making a profit, but also about contributing to society and following Islamic principles. From SET's perspective, sustainability is the result of a balance between financial performance, Sharia objectives, and Sharia governance (Abdul et al., 2024).

g. Hypothesis

From the above explanation, the hypothesis is formulated as follows:

H1: Financial Performance Has a Positive Effect on the Islamic Financial Performance Index

H2: Sharia Maqashid Index Has a Positive Effect on the Islamic Financial Performance Index

H3: Islamic Governance Has a Positive Effect on the Islamic Financial Performance Index

H4: Islamic Financial Performance Index Has a Positive Effect on the Sustainability of Islamic Banking

H5: Islamic Financial Performance Index Mediates Financial Performance on the Sustainability of Islamic Banking

H6: Islamic Financial Performance Index Mediates Sharia Maqashid Index on Sharia Banking Sustainability

H7: Islamic Financial Performance Index Mediates Islamic Governance on the Sustainability of Islamic Banking

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3. Methodology

This study uses a quantitative approach with a descriptive-explanatory design to analyze the determinants of Islamic banking sustainability. This study aims to examine the influence of financial performance, sharia compliance index, and sharia governance on the sustainability of Islamic banks, with the Sharia Financial Performance Index (IFPI) as the intervening variable. This research focuses on public Islamic banks listed on the Indonesia Stock Exchange (www.idx.co.id) from 2015 to 2024, in particular PT Bank Aladin Syariah Tbk, PT Bank Panin Dubai Syariah Tbk, PT BTPN Syariah Tbk, and PT Bank Syariah Indonesia Tbk. The research object was selected based on the availability of complete data and operational characteristics that follow sharia principles.

The population of this study included all Islamic banks listed on the Indonesia Stock Exchange during the observation period. The sample collection technique uses purposive sampling, with the following criteria: (1) Consistently listed on the stock exchange from 2015 to 2024. (2) Have audited annual financial statements. (3) Provide complete data related to research variables. (4) Claiming supervisory financial statements, and (5) Presenting information related to sustainability.

Based on these criteria, four Islamic banks were selected as research samples. The observation period was conducted quarterly for eleven years, resulting in a total of 176 observations (4 banks × 44 quarters). The data used in this study is secondary data sourced from financial statements, sustainability reports, and official publications available on the Indonesia Stock Exchange and the websites of each bank. The use of open data ensures transparency and allows other researchers to replicate this research.

Data analysis was carried out using the Partial Least Squares Structural Equation Modeling (PLS-SEM) method with the help of SmartPLS software version 3. This method was chosen because it can analyze relationships between latent constructs simultaneously, making it suitable for complex research models, and does not require strict normality assumptions (Ahmad & Armawaddin, 2024; Ali et al., 2026). The analysis process includes the evaluation of the external model through testing of convergent validity, discriminant validity, and composite reliability, as well as the assessment of the inner model using the determination coefficient (R^2), effect size (f^2), and predictive relevance (Q^2). Hypothesis testing was performed using the bootstrapping method at a significance level of 5%, where the statistical t was greater than 1.96 and the p value was less than 0.05 indicating a significant association (Hair et al., 2023; Harahap et al., 2023).

Table 1. Research Variables

Variable	Definition	Indicator	Scale
Sustainability of Sharia Banking	The ability of Islamic banks to maintain operations and long-term growth	Economy	Growth of productive assets
		Social	MSME financing ratio
		Environment	Green financing ratio
Islamicity Financial Performance Index	An index that measures the performance of banks based on sharia compliance and social contribution	PSR	Profit-sharing financing / total financing
		ZPR	Zakat / net asset
		EDR	Fair distribution ratio
		IsIR	Halal revenue / total revenue
Financial Performance	The bank's ability to generate profits, maintain liquidity, and manage risk	LONG	Net profit / total assets
		BOPO	Operating expenses / operating income
		FDR	Third-party financing/funds
		NPF	Non-performing financing / total financing
Sharia Maqashid Index	Banks' contribution to social welfare and economic justice	CSR	CSR expenditure / net profit
		Zakat	Zakat / net profit
Islamic Governance	Supervisory mechanisms to ensure sharia compliance	DPS	Proportion of independent DPS
		Board of Commissioners	Proportion of independent commissioners

4. Results And Discussion
a. Results
1) Measurement Model Analysis

The measurement model evaluation is conducted using the Partial Least Squares (PLS) approach, following the reliability and validity criteria recommended in the literature (Hair et al., 2023). Internal reliability is considered fulfilled when the Cronbach's alpha and Composite Reliability (CR) values are above the 0.70 threshold, see Harahap et al. (2023). The analysis results show that all constructs meet the criteria, with Cronbach's alpha values ranging from 0.907 to 0.955 and CR values between 0.956 and 0.969, indicating excellent internal consistency. Furthermore, convergent validity is assessed using outer loadings and Average Variance Extracted (AVE), where acceptable loading values are above 0.70, and the AVE is at least 0.50 (Billah, 2022; Harahap et al., 2023). The research findings demonstrate that all indicators possess high outer loadings, ranging from 0.915 to 0.966, and average variance extracted values between 0.871 and 0.951, which meet the convergent validity criteria. These findings confirm that all indicators in the model are valid and reliable in measuring the proposed constructs.

Table 2. Outer Model Results

Variable	Indicator	Loadings	Weights
Financial Performance (Cronbach's α= 0.951 CR= 0.964 and AVE= 0.871)	LONG	0.922	0.364
	BOPO	0.936	0.411
	FDR	0.943	0.396
	NPF	0.932	0.412
Maqashid Shariah Index (Cronbach's α= 0.907 CR= 0.956 and AVE= 0.951)	CSR	0.955	0.394
	Zakat	0.958	0.444
Islamic Gorvenance (Cronbach's α= 0.926 CR= 0.964 and AVE= 0.931)	DPS	0.964	0.605
	IC	0.966	0.540
Islamicity Financial Performance Index (Cronbach's α= 0.955 CR= 0.968 and AVE= 0.882)	PSR	0.915	0.264
	ZPR	0.949	0.272
	EDR	0.948	0.272
	IsIR	0.944	0.264
Sustainability of Islamic Banking (Cronbach's α= 0.953 CR= 0.969 and AVE= 0.914)	Economy	0.957	0.344
	Social	0.960	0.343
	Environment	0.951	0.359

To check discriminant validity, the Fornell-Larcker criterion is used. This means that validity is considered fulfilled if the square root of the Average Variance Extracted (AVE) for each construct is higher than its correlation with other constructs (Hair et al., 2017). The test results show that all diagonal values in the Fornell-Larcker matrix are higher than the corresponding values in the rows and columns. These findings indicate that each construct has a good ability to differentiate and can explain its indicators more strongly than other constructs. Therefore, it can be concluded that there is no overlapping issue among variables, and the discriminant validity of the research model has been fulfilled, making the model suitable for further structural analysis.

Table 3. Fornell-Larcker Criterion Results

	FP	IG	IFPI	MSI	SIB
Financial Performance	0.933				
Islamic Governance	0.885	0.965			
Islamicity Financial Performance Index	0.800	0.923	0.939		
Maqashid Syariah Index	0.852	0.911	0.901	0.956	

Sustainable of Islamic Banking	0.885	0.894	0.935	0.890	0.956

b. Structural Model Analysis

The internal model testing in this study aims to examine the causal relationship between latent constructs and test the hypotheses that have been formulated. The internal model was evaluated by examining the path coefficient, p-value, R^2, and effect size to assess the strength and contribution of each relationship in the PLS-SEM model (Billah, 2022; Harahap et al., 2023). In this research, a hypothesis is considered accepted if the p-value is less than 0.05, see Harahap et al. (2023), and Ali et al. (2026). Besides statistical significance, the effect size (f^2) is used to assess the strength of the influence, with criteria of 0.02 (small), 0.15 (medium), and 0.35 (large) (Hair et al., 2023).

The structural model test in this study aims to test the causal relationship between variables and test seven hypotheses, which include four direct relationships and three indirect relationships through mediated variables. The results of the analysis show that Financial Performance (FP) has a positive and significant influence on the Islamic Financial Performance Index (IFPI). The path coefficient is 0.327, the t-statistic is 4.554, and the p-value is 0.000. Thus, the first hypothesis (H1) is accepted. An effect size of 0.208 indicates that the effect falls into the moderate category. Furthermore, the Maqashid Sharia Index (MSI) has a positive and significant influence on IFPI, with a path coefficient of 0.266, a t-statistic of 3.885, and a p-value of 0.000. Therefore, the second hypothesis (H2) is accepted. An effect size of 0.108 showed a small to moderate effect.

The application of Islamic Governance (IG) also showed a positive and significant influence on IFPI with a path coefficient of 0.391, a t statistic of 5.123, and a p value of 0.000. Thus, the third hypothesis (H3) was accepted, with an effect size of 0.185, which falls into the moderate category. Furthermore, the Islamic Financial Performance Index (IFPI) has a positive and very significant influence on Sustainable Islamic Banking (SIB), with a path coefficient of 0.935, a t-statistic of 80,145, and a p value of 0.000. Therefore, the fourth hypothesis (H4) is accepted, with an effect size of 6,923 which shows a very large impact.

In addition to the direct relationship, the indirect influence test showed that Financial Performance (FP) had a significant impact on Sustainable Islamic Banking (SIB) through IFPI, with a coefficient of 0.306, a t-statistic of 4.557, and a p-value of 0.000, leading to the acceptance of the fifth hypothesis (H5). The application of the Maqashid Sharia Index (MSI) has a significant influence on SIB through IFPI with a coefficient of 0.248, a t-statistic of 3.857, and a p-value of 0.000, so that hypothesis six (H6) is accepted. Furthermore, Islamic Governance (IG) has a significant indirect influence on SIB through IFPI, with a coefficient of 0.366, a t-statistic of 5.698, and a p-value of 0.000, so that hypothesis seven (H7) is accepted.

Overall, the value of the determination coefficient (R^2) of 0.895 for the IFPI variable indicates that 89.5% of IFPI variations can be explained by Financial Performance, Maqashid Sharia Index, and Islamic Governance. In its implementation, an R^2 value of 0.874 for the Sustainable Sharia Banking variable shows that 87.4% of the variation in sustainable Islamic banking can be explained by IFPI. This shows that the model has very strong predictive capabilities.

Table 4. Structural Equation Model Hypothesis Test Results

Variable	Path Coefficients	T-value	p-value	R2	f2
FP- IFPI	0.327	4.554	0.000	IFPI (0.895)	0.208
MSI- IFPI	0.266	3.885	0.000		0.108
IG- IFPI	0.391	5.123	0.000		0.185
IFPI-SIB	0.935	80.145	0.000	SIB (0.874)	6.923
FP- IFPI-SIB	0.306	4.557	0.000		

MSI- IFPI-SIB	0.248	3.857	0.000		
IG- IFPI-SIB	0.366	5.698	0.000		

The figure shows a structural model that illustrates the influence of Financial Performance (FP), Maqashid Sharia Index (MSI), and Islamic Governance (IG) on the Islamicity Financial Performance Index (IFPI) and its implications for Sustainable Islamic Banking (SIB) using the PLS-SEM method. The relationship between variables is shown through the path coefficient, while the R^2 value indicates the model's ability to explain the endogenous variable.

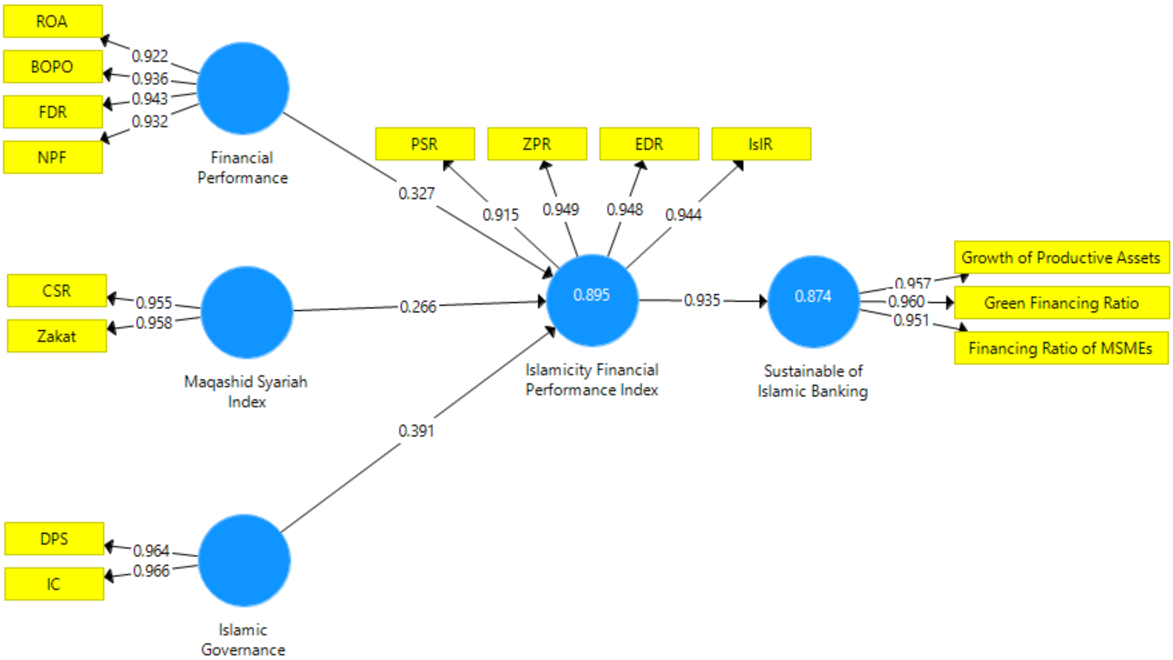

Figure 1. Path Model in Research.

c. Discussion

The results of the study show that financial performance has a positive and significant influence on the Sharia Financial Performance Index (IFPI). This means that the better the financial performance of an Islamic bank which is reflected in profitability, operational efficiency, liquidity, and quality of financing, the higher the achievement of Sharia-based performance. In the context of Islamic banking in Indonesia from 2015 to 2024, these findings highlight that strong financial resources are the main support for practicing Islamic principles. In theory, this is in line with Sharia Business Theory (SET), which considers the economic aspect as the basis for achieving social and spiritual goals. Safiullah (2021) and Kurnia et al. (2024) It also supports that good financial performance improves the stability of the bank, which ultimately strengthens the overall performance including the sharia dimension.

The results of the study show that the sharia maqashid index has a positive and significant influence on IFPI. So, the higher the implementation of zakat and CSR, the better the bank's performance from a Sharia perspective. In Indonesian Islamic banks, these social activities demonstrate a commitment to promoting economic justice and equality, which is an important factor in IFPI's assessment. The findings are implemented through Sharia Corporate Theory, which emphasizes the balance between economic and social aspects in achieving success. In addition, Mulyani & Santosa (2024) and also Alhammadi et al. (2022) said that the application of the sharia principles of maqashid can increase social legitimacy and public trust, which helps improve the performance of Islamic financial institutions.

Islamic governance has a positive and significant impact on IFPI. The implementation of the role of DPS and good governance mechanisms can improve Sharia compliance and the quality of bank performance. In Islamic banking practices in Indonesia, effective management ensures that all operational activities are in line with Islamic principles, thereby improving performance components such as halal revenue and fair distribution. From the perspective of Sharia Corporate Theory, governance acts as a control mechanism to maintain a balance between economic goals and Sharia values. These findings are in line with Farook; et al. (2011) and also Al-Hunnayan (2020), which shows that strong Sharia governance increases transparency and stakeholder trust.

The results of IFPI have a positive and very significant impact on the sustainability of Islamic banking. This means that the sustainability of a bank is not only determined by its financial performance, but also by its ability to combine financial aspects with Islamic values such as fair distribution, compliance with halal standards, and social responsibility. In the context of Islamic banking in Indonesia, banks with high IFPI performance are generally better able to sustain long-term growth in economic, social, and environmental aspects. These findings are in line with the implementation of Sharia Corporate Theory, which affirms that sustainability can only be achieved through a balance of economic, social, and spiritual dimensions (Ghoniyah et al., 2024; Izzadieny et al., 2025).

The results show that IFPI can significantly mediate the influence of financial performance on sustainability. This suggests that financial performance alone does not guarantee sustainability, but must first be processed through a Sharia-based approach. In the context of Islamic banking in Indonesia, profitability and operational efficiency will only produce sustainable impact if accompanied by fair distribution and adherence to Sharia principles (Hamidi et al., 2024). These findings are in line with Sharia Corporate Theory, which emphasizes that profit is a means to achieve broader well-being, not an end goal (Ajili & Bouri, 2018).

The results of the study show that IFPI mediates the influence of sharia maqashid on sustainability. Social contributions such as zakat and CSR will be more effective in improving sustainability if integrated into the Islamic financial performance system. In Islamic banking in Indonesia, social activities that are not strategically integrated often do not have the maximum impact on sustainability (Al-Hunnayan, 2020). Therefore, IFPI acts as a bridge that integrates social values into the performance of the institution. These findings support the view Ajili & Bouri (2018) That the purpose of maqashid sharia must be internalized in the economic system to produce long-term impact.

The results of the study show that Islamic governance has a significant indirect impact on sustainability through IFPI. This shows that the implementation of Sharia governance does not directly improve sustainability, but through improving Sharia performance, which is reflected in IFPI. In Islamic banking practices in Indonesia, an effective DPS ensures that all bank activities are not only compliant with Sharia principles but also make a meaningful contribution to economic justice and transparency. From the perspective of Sharia Corporate Theory, governance acts as a guardian of values, ensuring that all organizational activities remain in line with Sharia principles. These findings are also consistent with studies conducted by Mulyani & Santosa (2024) and Abdul et al. (2024), which emphasizes that effective governance improves the quality of performance and sustainability of Islamic financial institutions.

5. Conclusion

The study concludes that the sustainability of Islamic banking in Indonesia is not only determined by financial performance alone, but also by the integration of financial aspects, Islamic goals, and Islamic governance, mediated by the Islamic Financial Performance Index (IFPI). The findings of this study show that financial performance, the implementation of Sharia values through zakat and CSR, as well as the effectiveness of Islamic governance significantly improve IFPI, which in turn has an impact on the sustainability of Islamic banks. These findings suggest that IFPI is a comprehensive indicator that can link economic goals to Islamic values. In the implementation of Sharia Corporate Theory, this proves to be relevant in explaining how a balance between economic, social, and spiritual dimensions can create sustainability in the Islamic banking industry.

The theoretical implication of this study is the strengthening of Sharia Corporate Theory as a conceptual framework to explain the sustainability of Islamic banking through an integrated approach. The study also makes an empirical contribution by using IFPI as a mediating variable, which expands the literature on Islamic performance measurement that focuses not only on financial aspects but also on social values and Sharia compliance. In practice, the results of this study imply that the management of Islamic banks must not only focus on profitability but also improve the implementation of sharia objectives and strengthen sharia governance. In addition, regulators such as the Financial Services Authority can use IFPI as an additional indicator to evaluate the performance and sustainability of Islamic banks more comprehensively.

Based on the findings of the study, it is recommended that Islamic banks in Indonesia improve the integration between financial performance and Islamic values by optimizing zakat, CSR activities, and improving the quality of Sharia governance, especially the role of Sharia Supervisory Boards. In addition, banks need to develop a long-term-oriented strategy that balances economic, social, and environmental aspects. For future researchers, it is recommended to expand the scope of the research by including more samples from Islamic banks or comparing them with other countries, as well as developing other variables such as digitalization or green banking as factors influencing sustainability. Other methods of analysis can also be considered to enrich the results of the research and improve the generalization of the findings.

Author contribution statement

Windari contributed to conceptualization, data collection, and manuscript drafting. Saparuddin Siregar contributed to supervision, theoretical refinement, and methodological validation. Nurlaila contributed to literature review development and manuscript revision. All authors approved the final version of the manuscript.

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