

Sustainability of Indonesian Islamic Banking in terms of Corporate Ethical Identity and Corporate Governance

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Abstract

This study empirically demonstrates efforts to strengthen the performance of identity and corporate governance on the sustainability of Islamic banking in Indonesia, the influence of corporate identity performance on Islamic banking governance in Indonesia, and the influence of the performance of corporate identity and governance on the sustainability of Islamic banking in Indonesia. This is due to the low social function of Islamic banks in Indonesia towards the sustainability of better business, social, and environmental performance. Types of quantitative research with an ex post facto research design. The research population of all Islamic banks in Indonesia included BMI, BSI, BMSI, and BSMI samples. The data were analysed using simple additive weighting techniques by modelling using SEM-PLS techniques. The study's conclusions show that strengthening corporate identity performance and corporate governance towards the sustainability of Islamic banking in Indonesia is carried out with regulations, policies, and Sharia compliance. Corporate identity performance positively and significantly affects Islamic banking governance in Indonesia. A company's management has no effect on the sustainability of Islamic banking in Indonesia. This study provides recommendations from the government as a policy regulator that contributes to the supervision of Islamic banks in Indonesia, especially in the implementation of corporate governance, which includes the ethical performance of companies and the sustainability of Islamic banking in Indonesia by making systematic regulations as a reference for Islamic banks. Islamic banks in Indonesia need to re-reflect on neglected social activities because they prioritise commercial activities too much, thus ignoring social activities which are also at the core of bank activities as intermediary institutions and financial services.

Keywords: *Corporate identity, Governance, Sustainability, Maqashid Sharia.*

Abstrak

Penelitian ini membuktikan secara empiris upaya penguatan kinerja identitas dan tata kelola perusahaan terhadap keberlanjutan perbankan syariah di Indonesia, pengaruh kinerja identitas perusahaan terhadap tata kelola perbankan syariah di Indonesia, dan pengaruh kinerja identitas dan tata kelola perusahaan terhadap keberlanjutan perbankan syariah di Indonesia. Hal ini disebabkan oleh rendahnya fungsi sosial bank syariah di Indonesia terhadap keberlanjutan kinerja bisnis, sosial, dan lingkungan yang lebih baik. Jenis penelitian kuantitatif dengan desain penelitian *expost facto*. Populasi penelitian seluruh bank syariah di Indonesia meliputi sampel BMI, BSI, BMSI, dan BSMI. Analisis data menggunakan teknik *simple additive weighting* dengan pemodelan menggunakan teknik SEM-PLS. Kesimpulan penelitian menunjukkan bahwa penguatan kinerja identitas perusahaan dan tata kelola perusahaan terhadap keberlanjutan perbankan syariah di Indonesia dilakukan dengan regulasi dan kebijakan serta kepatuhan Syariah. Kinerja identitas perusahaan berpengaruh positif dan signifikan terhadap tata kelola perbankan syariah di Indonesia. Tata kelola perusahaan tidak berpengaruh terhadap keberlangsungan perbankan syariah di Indonesia. Kajian ini memberikan rekomendasi dari pemerintah sebagai regulator kebijakan yang berkontribusi terhadap pengawasan bank syariah di Indonesia, khususnya dalam penerapan tata kelola perusahaan, yang meliputi kinerja etis perusahaan dan keberlanjutan perbankan syariah di Indonesia dengan membuat regulasi yang sistematis sebagai acuan referensi bank syariah. Bank syariah di Indonesia perlu melakukan refleksi kembali terhadap kegiatan sosial yang terabaikan karena bank syariah terlalu mengutamakan kegiatan komersial, sehingga mengabaikan kegiatan sosial yang juga merupakan inti dari kegiatan bank sebagai lembaga intermediasi dan jasa keuangan.

Kata kunci: Identitas Etis Perusahaan, Tata Kelola Perusahaan, Keberlanjutan Perusahaan, *Maqashid Sharia*.

INTRODUCTION

Financial businesses face challenges during the Covid-19 pandemic and must be able to survive businesses and companies. A decrease in company turnover, non-performing bank loans, falling stock prices, terminations, low sales levels, weakening people's purchasing power, and the economy as a whole (Lahkani et al., 2020). The many changes in government political policies and regulatory changes require sustainability as a relevant path to build political and organisational systems (Imbrocino & Nichols, 2021).

Sustainable development cannot be achieved without the active involvement of Islamic business entities with resources, skills, and motivation to be heavily involved in society (Hassan, 2016). The idea of corporate sustainability is relevant as an approach and foundation of the business model, showing support for environmental and social concerns in business operations and even stakeholder interaction (Ahern, 2015). Corporate sustainability requires long-term and endless time (Hahn et al., 2015; Kiron et al., 2015). Its implementation involves the reach and commitment of the organisation as the need for the development of consistent behaviour.

Another concept of the needs of an organisation with a broad focus, a holistic view of its role in society, is a corporate identity with the idea that each organisation is a single entity with a personality (He & Balmer, 2013). The weak social identity of

Islamic banks generally impacts coherent behaviour and instruments (Antonio & Nugraha, 2013; Simões & Mason, 2012). As a business entity with Sharia values, identity plays a strategic and instrumental role in defining Islamic banking and its uniqueness.

The merger of Islamic banks owned by the government aims to continue Sharia business entities within the maqashid Syariah framework and to become a strong and profitable foundation for stakeholders (Balmer, 2017). However, it is necessary to analyse the social function of Islamic banks in Indonesia which is still low in terms of the sustainability of better business, social, and environmental performance (Haniffa & Hudaib, 2007; Khomsatun et al., 2021). A study is needed to discuss Sharia sustainability practices and business identity in implementing internal and external policies, such as building employee commitment, improving human resources, and strengthening the business governance of Islamic banks.

The obstacles to the development of Islamic banks include not yet being able to build an effective market community, Shariah compliance with product value and social performance, and providing maximum satisfaction to stakeholders (N. Alam et al., 2017a, 2017b; Chapra & Ahmed, 2002; Safiullah & Shamsuddin, 2018, 2019). Problems leading to Islamic banks, fictitious cases of BJB Syariah loans (Arief, 2019), fictitious credit from Bank Syariah Mandiri (Yuli & Agustiyanti, 2018), and capital problems of Bank Muamalah Indonesia (Fauzie, 2018), have smeared Indonesia's Islamic banks, resulting in declining public confidence and low investment in Indonesia's Islamic banking system.

These problems affect the governance of Islamic banks in Indonesia, especially in companies with a high concentration of ownership, and agency problems arise between the controlling and minority shareholders (Shleifer & Vishny, 1997). Islamic banks face conflicts between depositors and managers (Abdelsalam et al., 2016). Therefore, good governance is needed to protect stakeholders' interests, creating a Sharia business identity that long-term impacts sustainable Islamic businesses.

The problem in this study is how to strengthen the performance of identity and corporate governance towards the sustainability of Islamic banking in Indonesia. Does corporate identity performance affect Islamic banking governance in Indonesia? and does the performance of corporate identity and governance affect the sustainability of Islamic banking in Indonesia? This study aims to determine the efforts to strengthen the performance of identity and corporate governance towards the sustainability of Islamic banking in Indonesia. We analysed the effect of corporate identity performance on Islamic banking governance in Indonesia. We analyse the effects of performance identity and corporate governance on the sustainability of Islamic banking in Indonesia.

LITERATURE REVIEW

Conceptual Sustainability of the Company

Although there is no universal perspective on corporate sustainability, it refers to a set of systematic economies that are related and interdependent, with varying degrees of social and environmental problems that must be addressed by the company (Hahn et al., 2015). Therefore, corporate sustainability requires effective social and environmental integration. The effective path to corporate sustainability is mainly driven by the development of an ethics-based corporate culture with a focus on human resources rather than by the size of the company or the type of market offering (Simões & Sebastiani, 2017).

The four key managerial dimensions of corporate sustainability according to Aras & Crowther, (2008) are **1** follows:

1. Social influence measures the mutual impact between society and corporations, social contracts, and the influence of stakeholders. **1**
2. Environmental impact addresses the influence of organisational actions on the geophysical environment. **1**
3. Organisational culture captures all aspects of the relationship between an organisation and its internal stakeholders, particularly employees. **1**
4. Economic dimension refers to the achievement of appropriate results from the management of financial risks. **1**

Implementing corporate sustainability must be consistent if sustainability strategies are to be translated into action (Shrivastava & Addas, 2014). Companies can adopt soft practices that inspire employee morale and ongoing commitment and produce ongoing identification of organisational problems. Soft practices include the conformity of cultural structures and influence power fit, communication, commitment, encouragement, and support (Veldman & Willmott, 2016).

Hard practice consists of a formal implementation system used to signal a sustainable dimension in the organisation, which aims to organise and manage information and monitor and control sustainability through procedures, routines, systems, and structures (Díaz & O. Idowu, 2018). Control is built using key performance indicators related to economic, social, and environmental performance.

1 Corporate Identity

Corporate identity embodies the unique approach taken by organisations, business and behaviour, and engagement in a broad business context (Balmer, 2015; Bendixen & Abratt, 2007). Corporate identity is the origin of creating a sense of individuality and features that distinguish the organisation among various audiences (Simões & Sebastiani, 2017). Although corporate identity develops over time, it establishes the motives for the existence and definition of a company in doing business and requires the recognition of its organisational philosophy, goals, and core values.

Corporate identity involves what is intrinsic and unique about the organisation, embedded throughout it, and reflected in its mission, values and beliefs. Corporate identity is embedded in corporate culture, as evidenced by the shared behaviour of internal stakeholders. The concept of corporate identity requires the visual features and identity symbols formed in an organisation's identity (Olins, 1979). All of these factors must follow the company's values and philosophy and be transmitted and understood by all internal and external stakeholders.

There is an expectation that a strong corporate identity includes features that help organisations define and express their existence. Corporate identity plays two common roles for the organisation: strategic (part of the strategy) and instrumental (coherent implementation and expression of the organisation). Corporate identity plays an important role in influencing a strategy's content and in providing a corporate communication system to stakeholders (Markwick & Fill, 1997).

Strategic roles involve aspects such as vision, mission, strategic intent, values, and corporate culture, along with formulating and implementing strategies. Corporate expression involves corporate identity with constructs, such as visual identity, brand promise, brand personality and brand communication (Abratt & Kleyn, 2012; Kleyn et al., 2012). The instrumental role of corporate identity captures the idea that identity bias

is used to implement operationalise strategies and as an expression of an organisation's existence. Expression is articulated through organisational principles, behaviours, and visual and real forms (Abdullah & Asutay, 2021; Bostrom & Sanberg, 2011).

At the origin of its development, corporate identity is integrated or is a function of the company's strategy. One of the first steps in creating identity is depicting a corporate philosophy that directs how the organisation becomes a mission, values, and beliefs (Balmer, 2017). At this level, companies can use symbols to represent their identity. Corporate identity plays a strategic and operational role by articulating the direction of organisational sustainability, harmonising organisational culture, and serving as an instrument of communication and implementation of corporate strategies.

A company's ethical attitude, namely ethical values, behaviour, and communication about ethical commitments, can be seen as a component of corporate identity that can improve company performance (Berrone et al., 2007). Corporate identity can also play an important role in the operationalisation and communication of ongoing strategies. Corporate identity can also result in a positive corporate image and reputation (Westcott Alessandri, 2001).

Corporate Governance

The implementation of good corporate governance refers to five basic principles: transparency, accountability, responsibility, independence and fairness (Pedoman Umum Good Governance Bisnis Syariah, 2011). Related to the principles of transparency and reliability, it is a feature of corporate governance disclosure to stakeholders that allows them to assess the management of investments by following principles and prudence. The five distinctive characteristics of Islamic banks form a social identity that can be reflected in financial statements, so the concept becomes a reflection of corporate governance (Haniffa & Hudaib, 2007).

Islam views corporate governance as emphasising accountability and trust, intending to protect all stakeholders by complying with Sharia principles (Hasan, 2008). Structures that support corporate governance in influencing the disclosure of Islamic banks' ethical identities include the board of directors, board of commissioners, Sharia supervisory board, and audit committee (Mansour & Bhatti, 2018a, 2018c; Obid & Naysary, 2016). Participatory and reflective governance can help address social and environmental challenges, and corporate governance innovations can help produce useful innovations and avoid dangers and risks (Scherer & Voegtlin, 2020).

Previous Study

Some of the studies that have been conducted or are relevant to this study, such as Prativi et al., (2021), examine the impact of disclosure of Islamic corporate governance, zakat, Islamic intellectual capital, financial performance, and Islamic ethical identity on business sustainability. This study uses a quantitative approach with secondary data, using analytical content on the financial statements of Islamic banks of ASEAN countries, MESA, and GCC from 2015 to 2019, and multiple regression. His research shows that the disclosure of Islamic corporate governance affects business sustainability, but Islamic ethical identity does not affect the business sustainability of Islamic banks.

Khomsatun et al., (2021) explained that disclosure of Islamic bank governance affects the level of bank health and shows the moderating effect of the relationship

between sharia governance disclosures and management efficiency, capital, and liquidity, where the effect can improve market discipline mechanisms as well as branding for public trust, even in countries with less regulation of Islamic banks. The study was conducted in 16 countries covering 84 Islamic banks during 2013-2015 using purposive samples.

Hidayah et al., (2020) studied the shifting ethical identities in Islamic financial institutions over 14 years in Europe. According to him, in today's neo-liberalist world, Islamic financial institutions face difficulties due to shifts or deviations in the ethical identity of organisations, which is due to the principle of ethical belief that serves as a code of ethics and has largely been discursively rationalised to respond to regulations, markets, and institutional policies, forcing managers to behave ethically.

Jan et al., (2019) research **sustainable business practices and the financial performance of Islamic banking**, using corporate governance as a moderating variable. Research data were obtained during the post-monetary crisis period from 2008 to 2017 using the weighted content method. Empirical testing uses a generalised method of moments (GMM). The study's results found **that the moderating role of Islamic bank governance and managerial ownership gives confidence to stakeholders in the Islamic bank market to obtain higher financial returns through sustainable business practice initiatives.**

The difference between this research and previous research lies in deepening the discussion in the study of unidirectional relations and strengthening the theory to prove the direct relationship between the performance of Islamic banks' ethical identity and the sustainability of Indonesian Islamic banking and the direct relationship of Sharia bank governance to the sustainability of Indonesian Sharia banking. The novelty of this research lies in proving the direct relationship between the performance of Islamic banks' ethical identities and the governance of Islamic banks and sustainability of Indonesian Islamic banking. Researchers have explained the role of each variable in predicting and proving the magnitude of the relationship between the variables under study.

Hypothesis Development

Relationship between corporate identity performance and Islamic banking governance in Indonesia.

Corporate identity is part of a corporation's personality and jointly builds a corporate philosophy so that the public knows and understands the company's philosophy (Balmer et al., 2011; Di Bella, Al-Fayoumi, 2016; Simões & Sebastiani, 2017). The concept of corporate identity aims to describe the **unique and distinctive organisational manifestations that operate well and successfully in the market.** This was created to recognise the differences between banks. Organisations need corporate ethical identity in facing the challenges of different organisational competition and cultural incompatibilities, the increasing similarity of products/services, the power of technology, regulation, and globalisation to change the shape of business (Zaki et al., 2014).

Islamic banks, as Islamic financial institutions that are different from other conventional banks, fundamentally apply ownership rights and contracts that regulate behaviour, ethics, economic and social morals, individuals, institutions, society, and the state. It is believed that religious beliefs and support for Islamic banks will always integrate this economic system with Islamic applications.

H1: Corporate identity performance affects Islamic banking sustainability in Indonesia.

Relationship between corporate governance and the sustainability of Islamic banking in Indonesia.

Sustainable development balances the economic, social, and environmental aspects. In newer variants of this paradigm, the economic aspect is seen as part of the social and social aspects as part of the environmental aspect. In the agency mode, the decision maker considers the social and environmental aspects when it clearly benefits him personally (Hafeez, 2013). Imagine a situation in which environmental pollution occurs due to the company's actions and has caused protests from the community. The company refuses to take responsibility for or do anything about it. With the mode of thinking about personal gain, the decision maker may choose the second mode.

Companies that use the agency mode will be at the farthest point from sustainability discourse and practices because they operate with self-interest motivation. Companies that tend to stewardship will be more sustainable because they are motivated to enlighten their self-interest. However, this latter type of company cannot be fully compatible with the sustainable development paradigm since profit for owners of capital is always the highest consideration. Only sustainability initiatives that benefit the company were implemented (Díaz & O. Idowu, 2018; Imbrogiano & Nichols, 2021; Jan et al., 2019; Vergara & Ferruz Agudo, 2021).

H2: Corporate governance affects Islamic banking sustainability in Indonesia.

METHODE

This type of quantitative research uses statistical analysis to obtain research results where the main features of the research model use formal, systematic measurements and statistical tools, as well as quantity characteristics in research studies (Kale et al., 2019; Marczyk et al., 1961). An ex-post facto research design was carried out to explain modelling and the relationship between variables studied experimentally and research data (Cantaluppi et al., 2017; S. Said & Amiruddin, 2017).

Sample Procedure

The study population, namely all Islamic banks in Indonesia, amounted to 14 banks, by taking a sample of foreign exchange Sharia banks, namely BMI, BSI, BMSI, BSMI as many as four Foreign Exchange Sharia banks. Sampling with purposive techniques, namely, foreign exchange Islamic banks with total assets and healthy financial performance. Data were obtained from the annual reports and annual financial summary reports of Islamic foreign exchange banks from 2015 to 2021. The data collection method uses documentation, observations, and libraries in the form of articles or journals that support research data. Documentation techniques collect secondary data by collecting periodic financial reports (annual reports) of Indonesian Sharia commercial banks obtained through the Financial Services Authority (OJK) or through the website of each Sharia bank.

Variable Operationalisation

The variable in this study is corporate ethical identity, that is the reality and uniqueness of the organisation that is integrally related to the external and internal image and reputation through corporate communication, relating to the essence of the company and its unique characteristics (philosophy, values, history, strategy, business

scope, and communication), containing a set of behaviours, communications, ethical attitudes and beliefs of the organisation, values, practices, communication, corporate actions, and providing a reference for stakeholders to compare their ethical claims with the ethical attitudes of the company (Berrone et al., 2007; He & Balmer, 2013; Powell et al., 2009; R. Said et al., 2014).

Corporate governance, which is a unique management system, which takes into account that the activities of Islamic banks are carried out under sharia principles, as a relationship established between the company's management, board of directors, shareholders, and other stakeholders that provides a structure in which the company's goals are set; and ways to achieve those goals and performance monitoring is determined (M. K. Alam et al., 2019; Ben Bouhenni & Ammi, 2015; Farag et al., 2018; Hussain et al., 2016; Mansour & Bhatti, 2018b, 2018c; Safiullah & Shamsuddin, 2018).

Sustainability is a series of economic, environmental, and social problems that are systematically interconnected and interdependent at different levels that the company is expected to address simultaneously (Ahern, 2015; Jan et al., 2019; Lassoued, 2018; Shrivastava & Addas, 2014; Simões & Sebastiani, 2017). The operational definitions of the study variables are listed in the following Table 1:

Table 1. Operational Dimensions of Research Variables

Variable	Dimension
Sustainability Islamic Banking	<ul style="list-style-type: none"> • General Standards Sustainability Disclosers • Economic sustainability • Environmental Sustainability • Social Sustainability (Jan et al., 2019)
Corporate Ethical Identity	<ul style="list-style-type: none"> • Vision and mission statement • Board of Directors and top management • Product • Zakat, almsgiving, and benevolent loans • The employees • Debtor • Community • Shariah Supervisory Board (Haniffa & Hudaib, 2007)
Corporate Governance	<ul style="list-style-type: none"> • Number of Directors • Board of Commissioners • Committee Supervisory Board • Audit Committee (Hanafi et al., 2019)

Analytical Techniques

The data were analysed using a *simple additive weighting* technique and then from the results of the data, modeling was carried out with the SEM-PLS technique to test the causality model simultaneously according to the research context to identify and find out the construct relationship between variables to be developed into a new theory (Avkiran & Ringle, 2018; Cantaluppi et al., 2017; Ghozali, 2014).

SEM is an analytical technique used to test and estimate causal relationships by integrating path and factor analysis (Ghozali, 2014). There are two types of SEM: partial least squares path modelling (PLS-SEM) and covariance-based structural equation modelling (CB-SEM). However, PLS-SEM was used to test the predictive

relationships between the constructs. CB-SEM was used to test the theories and obtain justifications through complex analyses.

This study aims to test the relationship between variables; therefore, it uses the PLS-SEM method to analyse the data. The stages of data analysis carried out using SmartPLS software with stage model measurement or an outer model define how each block of indicators relates to its latent construct. The design of the measurement model determines the nature of the indicators for each latent construct based on the operational definitions of the variables. The indicators of each construct in this study were reflexive.

The structural model or inner model describes the relationship between latent constructs based on theory. The design of a structural model of the relationship between latent constructs is based on the formulation of the problem or research hypothesis. Model evaluation: There are three criteria for assessing the outer models: convergent validity, discriminant validity, and composite reliability. The convergent validity of the measurement model with the reflective indicator model was assessed based on the correlation between the item component score and the 16-construct score calculated using PLS. The reflective measure is said to be high if it correlates more than 0.70 with the construct you want to measure. However, for the initial stage of research from the development of a scale measuring the loading value of 0.50 to 0.60 is considered quite adequate (Ghozali, 2014).

The discriminant validity of the measurement model with reflective indicators was assessed using cross-loading measurements with constructs (Byrne, 2016). If the correlation of the construct with the measurement item is greater than the size of the other constructs, the latent construct predicts a size on the block that is better than the size of other blocks. Another method to find Discriminant Validity is to compare the square root value of the Average Variance Extracted (\sqrt{AVE}) each construct with a correlation value between the construct and other constructs (latent variable correlation). The formula for the AVE is:

$$AVE = \frac{\sum \lambda_i^2}{\sum_i^2 + \sum_i var(\epsilon_i)}$$

Composite reliability of the construct was used to assess the reliability of the model. The formula for the composite reliability is as follows:

$$\rho_c = \frac{\sum \lambda_i^2}{(\lambda_i^2) + \sum_i var(\epsilon_i)}$$

Composite reliability, which measures a construct, can be evaluated using internal consistency and Cronbach's alpha (Hair et al., 2017). Compared to Cronbach's alpha, the measure of composite reliability does not assume tau equivalence between measurements if all indicators have the same weight. Thus, Cronbach's alpha tends toward lower bound estimate reliability, while composite reliability is a closer approximation, assuming more accurate parameter estimates (Hair et al., 2014).

Inner Model Evaluation: The structural model was evaluated using R-square for the dependent constructs. The assessment of the model using PLS begins by examining the R-square for each dependent latent variable. This interpretation is the same as that of regression. Changes in the R-square value can be used to assess the influence of certain

independent latent variables on dependent latent variables, and whether they have a substantive influence (Ghozali, 2014; Hair et al., 2014). The influence of the magnitude f^2 can be calculated by the following formula:

$$f^2 = \frac{R_{included}^2 - R_{excluded}^2}{1 - R_{included}^2}$$

Hypothesis Testing (resampling bootstrapping) is a hypothesis argument between exogenous constructs against endogenous constructs (γ) and endogenous constructs to endogenous constructs (β) using the bootstrap resampling method developed by Geisser (Byrne, 2016; Garson, 2016; Hair et al., 2017). The test statistics used are t-statistics or t-tests, and the application of the resampling method allows the validity of distribution-free data to not require the assumption of a normal distribution and does not require a large sample.

RESULT AND DISCUSSION

Data Analysis

Owing to COVID-19, almost all sectors of the Indonesian economy have experienced a decline in income. Islamic banking is a sector whose performance is quite resilient during the COVID-19 pandemic, so it does not experience a decrease in income compared with other economic sectors. This can be proven by the growth of Islamic banking assets from before the COVID-19 pandemic until August 2021 which is stated as follows.

Table 2. Sharia Banking Asset Growth in 2017 – August 2021

Indicators	Total Assets in Billions of Rupiah				
	2017	2018	2019	2020	Augustus 2021
Sharia Commercial Banks	288.027	316.691	350.364	397.073	413.937
Sharia Business Unit	136.154	160.636	174.200	196.875	205.147
Total	424.181	477.327	524.564	593.948	619.084

Source: Data processed, Financial Services Authority 2022

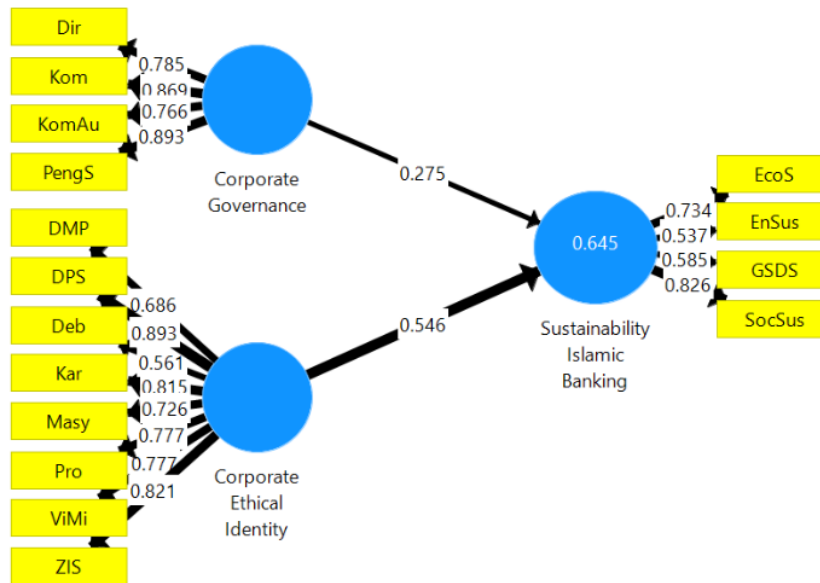
Table 2 shows that from 2019 to August 2021, Islamic banking assets experienced an increase even though throughout 2020 until now Indonesia was hit by the COVID-19 pandemic which has had a negative impact on almost all sectors of the country's economy. This increase is due to the Sharia concept implemented by Islamic banks, such as transparency, benefits, and fairness, which can indirectly minimise the risks caused by the COVID-19 pandemic (Bakry et al., 2021).

The increase in assets also indicates that Islamic banks are resilient to the economic crisis and Islamic banks have worked hard to maintain good performance (Sulaiman, Al-Nasser, & Jorah, 2017). It is necessary to measure the performance of Sharia banks to determine how well Islamic banking maintains its performance (Danisman et al., 2021). This was done to determine the effectiveness of Islamic banking management and its performance in achieving the sustainability of Islamic banking.

5
Measurement Model (Outer Model Test)

The outer model test aims to determine the validity and reliability of the processed data such that it can be continued as a study. In addition, important stages in the outer model test included convergent validity, discriminant validity, composite reliability, and Cronbach's alpha values. where is the measurement model after the indicator test.

Figure 1. Results After Indicator Test



Source: processed data, 2022

From the above figure, the entire indicator has a value above 0.5; therefore, it can be continued for testing.

Convergent Validity

Convergent validity can be seen by examining Cronbach's α and the average inflation factor (AVE). The results of the convergent validity test were as follows:

Table 3. Loading Factor and AVE

	Cronbach's α	AVE
Corporate Ethical Identity	0,894	0,582
Corporate Sustainability	0,617	0,500
Corporate Governance	0,847	0,688

Source: processed data, 2022

Based on the above Table, each variable shows that the Cronbach's α value is above 0.6, and the AVE value is above 0.5. Thus, it can be concluded that the scale passed the convergent validity test.

Validity of Discriminants

The validity of the discriminant can be determined by examining the cross-loading value in which the value of the variable must be greater than the correlation of the value of another variable. The following Table of the discriminant validity test.

Table 4. Discriminant Validity Test Results

	Corporate Ethical Identity	Corporate Sustainability	Corporate Governance
Corporate Ethical Identity	0.763		
Corporate Sustainability	0.795	0.680	
Corporate Governance	0.903	0.768	0.830

Source: processed data, 2022

From the Table, each variable has a value greater than its correlation with the other variables, which is greater than 0.6. Thus, it can be concluded that the discriminant validity test passed. Based on convergent and discriminant validity tests, the data were valid.

Structural Model (Inner Model Test)

The inner model or structural model aims to test the determination and hypotheses. The results of the determination test or R-square are as follows.

Table 5. Determination Test Results

	R-Square	Adjusted R-Square
Corporate Sustainability	0.645	0.637

Source: processed data, 2022

Based on the Table above, the R-square value of the company's sustainability variable is 0.645 which means that the independent variables of corporate governance and corporate ethical identity simultaneously affected the company's sustainability by 64.5%, and the remaining 35.5% were influenced by variables other than this study.

The hypothesis was tested by examining the path coefficient, t-statistic, and p-values. This study used a significance of 5% with a t-statistic > 1.96 and p-values < 0.05. The results of the hypothesis tests are shown in the following Table:

Table 6. Hypothesis Test Results

	Original Sample (O)	Sample Average (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Corporate Ethical Identity -> Corporate Sustainability	0.546	0.570	0.247	2.206	0.028
Corporate governance -> Corporate Sustainability	0.275	0.258	0.248	1.110	0.267

Source: processed data, 2022

The corporate ethical identity variables have a parameter efficiency value of 0.546. The t-statistic value was 2.206 and the p-value was 0.028. H1 was accepted because corporate ethical identity has a positive and significant influence on the sustainability of the company. The corporate governance variable has a coefficient parameter value of 0.275 with a t-statistic of 1.110 and a p-value of 0.267 which means that corporate governance does not have a positive and significant effect on the sustainability of the company, and H2 is rejected.

Discussion

Efforts to strengthen the performance of identity and corporate governance towards the sustainability of Indonesian Islamic banking.

Strengthening the company's ethical identity and corporate governance towards the sustainability of Islamic banking in Indonesia can be done if each company is selective in strengthening the company's identity and branding in accordance with Sharia compliance. However, the sustainability of Islamic banking in Indonesia by considering disclosure, social, economic, and environmental aspects have an impact on the existence of Islamic banking in the minds of Indonesian people.

This is supported by several opinions that the ethical identity of the company has an impact on social and cultural changes in corporate culture in a place and society, even though there are differences in culture and culture (Sukardi & Wijaya, 2013). The ethical identity of the company must also refer to the highest goal of Sharia in the frame of *maqashid al-sharia*, which is important to give legitimacy to Islam as a representation of a religion that is pervasive in all ages (Rohmati et al., 2018).

Suppose the aspects of Sharia compliance and its highest objectives are always considered in Indonesia's operational aspects of Islamic banking. In this case, Islamic banking will always be maintained in its development and has company sustainability in accordance with Islamic teachings and values.

The effect of corporate identity performance on Islamic banking governance in Indonesia.

A company's ethical identity has a significant and positive effect on the sustainability of Islamic banking in Indonesia, which is supported by the elements in the ethical identity of Islamic banking in Indonesia that have been disclosed. In addition, aspects of the dimensions of a company's ethical identity are supported by the company's economic, social, and environmental sustainability (Hanafi et al., 2019; Hidayah et al., 2020; Karaosmanoglu et al., 2016).

Islamic business ethics attached to the system and mechanism of Sharia banking in Indonesia are part of the company's responsibility to maintain its sustainability. The sustainability of Islamic banking in Indonesia also maintains the existence of religion as a support and milestone for the value of the operational system and business mechanisms.

This makes the company's sustainability adhere to the management of its ethical identity, so that the sustainability of the company is appropriate and contributes to the national and global economy. The effect of corporate sustainability is also found in investment sources that prioritise Sharia compliance values.

The influence of corporate governance on the sustainability of Islamic banking in Indonesia.

Corporate governance has no effect on the sustainability of the company; if observed in the aspects and dimensions that exist in Islamic banking governance, everything is assessment material for achieving the sustainability of the company. Corporate governance is a tool for conducting assessments within a company and must prioritise compliance values and the highest objectives of Sharia (Mehreen et al., 2020; Nawaz, 2019; Obid & Naysary, 2016).

The relationship between governance and ethical identity is very close, because ethical identity is used in the governance attributes of Islamic banking. Thus, corporate sustainability has no effect on governance. This makes a company's sustainability focus on social, economic, and environmental disclosure which are generally outside the attributes and dimensions of the company's governance.

CONCLUSION

Based on the data analysis and discussion, this study concludes with efforts to strengthen the performance of identity and corporate governance towards the sustainability of Indonesian Islamic banking. Corporate identity reform positively and significantly affects Islamic banking governance in Indonesia. A company's management has no effect on the sustainability of Islamic banking in Indonesia.

The suggestions of this study are the government as a policy regulator to contribute to the supervision of Islamic banks in Indonesia, especially in the implementation of corporate governance, which includes the ethical performance of companies and the sustainability of Islamic banking in Indonesia by making systematic regulations as a reference for Islamic banks. In general, Islamic banking in Indonesia has implemented good corporate governance; however, Islamic banks must improve and develop a corporate ethical identity pattern to provide good public trust. A reliable system and mechanism are needed to ensure the sustainability of Islamic banking in Indonesia by considering the binding aspects of the sustainability of Islamic banks in Indonesia, which can be achieved by maintaining and improving aspects of the disclosure of sustainability in general, economic, social, and environmental sustainability of the company.

The recommendations of this study are as follows, Islamic banks in Indonesia need to re-reflect on neglected social activities because they prioritise commercial activities too much, thus ignoring social activities which are also at the core of bank activities as intermediary institutions and financial services. Islamic banks must also prioritise corporate governance to be further improved because governance is an important matter that prioritises the values and characteristics of Islamic banks to be able to provide added value in building public trust and Islamic religion. If Islamic banks cannot provide the best matters, then Islam is not always a representative religion; this becomes important for Islamic banks to be more introspective.

Subsequent researchers should be able to carry out further research stages with development or continuation, examine risk mitigation in the failure of company sustainability, and maintain the company's ethical identity to increase public satisfaction with Islamic banking, especially in Indonesia.

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