

FINANCIAL PERFORMANCE UNDER *SHARIA* CONSTRAINTS: THE ROLE OF GOVERNANCE AND SUSTAINABILITY IN ENERGY FIRMS

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Penelitian ini mengkaji bagaimana struktur modal, green accounting, dan Islamic Corporate Governance (ICG) memengaruhi kinerja keuangan perusahaan energi yang patuh syariah, dengan pengungkapan Corporate Social Responsibility (CSR) berperan sebagai mekanisme moderasi. Penelitian ini menanggapi masih terbatasnya integrasi empiris antara dimensi keuangan, lingkungan, dan tata kelola dalam kerangka kinerja berbasis syariah, khususnya di pasar berkembang. Berlandaskan Islamic Worldview dan *Sharia* Enterprise Theory, penelitian ini mengonseptualisasikan kinerja keuangan sebagai luaran multidimensional yang dibentuk oleh tata kelola etis dan akuntabilitas keberlanjutan. Dengan menggunakan data sekunder dari 19 perusahaan yang terdaftar pada Indonesian *Sharia* Stock Index (ISSI) periode 2020–2024, analisis regresi moderasi menunjukkan bahwa efisiensi struktur modal, praktik green accounting, dan ICG secara signifikan meningkatkan kinerja keuangan. Pengungkapan CSR semakin memperkuat hubungan tersebut melalui peningkatan transparansi dan kepercayaan pemangku kepentingan. Temuan ini memperluas *Sharia* Enterprise Theory dengan menunjukkan bagaimana pengungkapan keberlanjutan mengoperasionalkan akuntabilitas Islam ke dalam luaran keuangan yang terukur. Studi ini menawarkan kerangka empiris terintegrasi yang menghubungkan tata kelola Islam, praktik keberlanjutan, dan kinerja perusahaan, serta memberikan implikasi bagi regulator dan manajer dalam memperkuat tata kelola keberlanjutan yang patuh syariah.

Kata Kunci: Struktur Modal, Akuntansi Hijau, Tata Kelola Perusahaan Islam, Kinerja Keuangan, Pengungkapan Tanggung Jawab Sosial Perusahaan

ABSTRACT

This study investigated how capital structure, green accounting, and Islamic Corporate Governance (ICG) influenced the financial performance of Sharia-compliant energy firms, with Corporate Social Responsibility (CSR) disclosure acting as a moderating mechanism. This research addressed the limited empirical integration of financial, environmental, and governance dimensions within Sharia-based performance frameworks, particularly in emerging markets. Grounded in Islamic Worldview and Sharia Enterprise Theory, this study conceptualized financial performance as a multidimensional outcome shaped by ethical governance and sustainability accountability. Using



secondary data from 19 firms listed on the Indonesian Sharia Stock Index (ISSI) from 2020–2024, moderated regression analysis revealed that capital structure efficiency, green accounting practices, and ICG significantly enhanced the financial performance. The CSR disclosure further strengthened these relationships by reinforcing transparency and stakeholder trust. These findings extend Sharia Enterprise Theory by demonstrating how sustainability disclosure operationalizes Islamic accountability into measurable financial outcomes. The study offers an integrated empirical framework linking Islamic governance, sustainability practices, and firm performance, providing implications for regulators and managers seeking to strengthen the Sharia-compliant sustainability governance.

Keywords: Capital Structure, Green Accounting, Islamic Corporate Governance, Financial Performance, Corporate Social Responsibility Disclosure

1. Introduction

The energy sector plays a crucial role in driving economic growth and facilitating sustainable transitions by balancing financial performance, environmental responsibility, and social accountability. Robust environmental, social, and governance (ESG) disclosures and risk management practices enable energy companies to remain competitive while addressing environmental uncertainties (Nicolò et al., 2023, Liu & Song, 2025). The adoption of green finance instruments such as green *sukuk* enhances capital allocation toward clean energy initiatives, thereby reducing energy intensity and promoting sustainable outcomes (Khairisma et al., 2025; Ibrahim et al., 2021). Indonesia illustrates this shift; its expanding Islamic capital market, evident in the Indonesian Sharia Stock Index (ISSI), supports ethical governance and sustainable financial frameworks conducive to economic growth (Rofik et al., 2025). Global market dynamics emphasize the need for improved ESG performance as firms navigate competitive pressures in an increasingly integrated capital market (Aibai et al., 2025). These measures reinforce the energy sector's strategic role in achieving both economic development and a resilient sustainable energy transition.

At the same time, traditional financial performance metrics have long dominated corporate evaluation but are limited in scope. Conventional indicators such as profitability and liquidity overlook key dimensions like environmental sustainability, ethical values, and social accountability (Zhang, 2022). This narrow focus can drive firms toward superficial practices such as greenwashing, where financial pressures lead to symbolic ESG disclosures rather than substantive improvements (Zhang, 2022). Emerging evidence highlights that integrating ESG disclosure enhances financial distress prediction and provides a more holistic view of corporate health (Acharya et al., 2025). To address these gaps, researchers have proposed integrated performance frameworks that combine financial, environmental, and governance criteria. For example, comprehensive sustainability indices developed for Takaful operators successfully merge stakeholder perspectives and regulatory compliance with traditional financial metrics (Zain et al., 2025). Furthermore, traditional accounting practices have been critiqued for diluting the quality of information required for effective managerial decision-making, underscoring the need for more inclusive performance models (Salehi, 2022).

Furthermore, the capital structure decisions of firms significantly influence financial performance by affecting cost efficiency and risk exposure. Traditional theories, such as the pecking order theory, posit that firms prefer internal financing before resorting to debt (Guizani & Ajmi, 2021). Nevertheless, empirical studies reveal inconsistencies in the relationship between leverage and performance in Sharia-compliant firms. Evidence from emerging markets indicates that these firms exhibit lower debt ratios and slower adjustment speeds in their capital structures due to restrictions against *riba* and prohibited interest-bearing instruments (Althaqeb, 2025; Bugshan & Bakry, 2023). These prudential constraints compel Sharia-compliant entities to rely more on cash holdings and alternative financing mechanisms, thereby influencing their risk profile and operational efficiency (Satt et al., 2020). While such constraints may mitigate agency conflicts, they can also limit growth opportunities, underscoring the necessity of integrated frameworks that account for both financial and ethical dimensions in assessing firm performance (Akbar et al., 2025; Alalmal et al., 2020).

Additionally, green accounting has emerged as a critical response to escalating environmental degradation and increasingly stringent sustainability regulations, extending traditional financial reporting by incorporating environmental costs, resource efficiency, and indicators of long-term value creation, thereby enhancing corporate transparency and accountability (Cho et al., 2022). By quantifying environmental externalities, green accounting enables firms, particularly energy companies with substantial ecological footprints, to internalize environmental considerations into strategic and operational decision-making processes. Despite its strong conceptual foundation, empirical evidence on the effectiveness of green accounting remains limited, especially within Sharia-compliant firms where ethical, social, and environmental responsibilities are inherently interconnected (Zhang, 2022). This limitation highlights the need for integrated performance frameworks that simultaneously capture financial, environmental, and governance dimensions to better reflect corporate sustainability outcomes (Villiers & Sharma, 2020). Moreover, detailed environmental disclosures, such as carbon performance and resource utilization, function as governance mechanisms that reduce information asymmetry, strengthen accountability, and enhance stakeholder trust, ultimately supporting risk mitigation and long-term value creation (Wang et al., 2022).

Islamic Corporate Governance (ICG) is grounded in Sharia principles that emphasize justice, transparency, and accountability, with mechanisms such as Sharia Supervisory Boards aligning managerial actions with ethical and stakeholder-oriented objectives (Khan & Zahid, 2020; Baklouti, 2020). The literature indicates that the ICG can mitigate agency conflicts and foster sustainable performance; however, studies that concurrently examine financial, environmental, and governance factors remain limited (Minaryanti & Mihajat, 2023). Corporate Social Responsibility (CSR) disclosure serves as a strategic communication tool that enhances corporate legitimacy and stakeholder trust (Khattak et al., 2020). Notably, the CSR disclosure may moderate the relationships between the capital structure, green accounting, and ICG with the financial performance, reinforcing these interactions rather than acting solely as a direct predictor. Integrating the ICG with the CSR disclosure in performance frameworks thus represents a methodological novelty that positions Islamic governance as a critical determinant of sustainable financial performance.

Despite the growing literature on sustainability, governance, and financial performance in the energy sector, existing studies remain fragmented and insufficiently integrative, particularly within *Sharia*-compliant contexts. Prior research has largely examined capital structure, green accounting, and Islamic Corporate Governance (ICG) separately, while overlooking the interaction mechanisms through which the financial, environmental, and governance dimensions jointly influence the firm performance. In addition, although the Corporate Social Responsibility (CSR) disclosure is widely recognized as a mechanism for strengthening transparency and stakeholder trust, its role as a moderating variable within the *Sharia*-based governance frameworks remains underexplored. This gap is particularly evident in emerging markets, where empirical evidence on *Sharia*-compliant energy firms remains limited despite increasing ESG pressures and the rapid development of Islamic capital markets. In the Indonesian context, the Indonesian *Sharia* Stock Index (ISSI) provides a unique institutional setting where sustainability practices, Islamic governance, and financial performance intersect but remain empirically under-examined. Addressing these gaps, this study develops an integrated quantitative empirical model that simultaneously examines the effects of capital structure, green accounting, and Islamic Corporate Governance on financial performance, while positioning the CSR disclosure as a moderating mechanism that strengthens these relationships through moderated regression analysis. Grounded in Islamic Worldview and *Sharia* Enterprise Theory, this research contributes by extending the *Sharia*-based performance perspectives into an integrated sustainability-governance framework. Empirically, this study contributes by testing a three-model estimation framework consisting of baseline, moderating, and interaction models to provide more robust evidence on the governance-performance nexus in *Sharia*-compliant firms. Practically, the findings provide insights for regulators, investors, and corporate managers in strengthening sustainability governance and accountability within *Sharia*-compliant corporate environments.

2. Theoretical Framework dan Hypothesis Development

2.1. Key Concept and Theory

The integration of the Islamic Worldview and *Sharia* Enterprise Theory (SET) provides a unified conceptual foundation for understanding corporate behaviour beyond the conventional profit-oriented paradigms (Hanapi, 2020; Haneef, 1997; Birton et al., 2015). Rooted in a *Tawhidi* worldview, the Islamic economic thought embeds ethical and spiritual commitments into organizational life, positioning morality, justice (*adl*), and public welfare (*maslahah*) as intrinsic evaluative principles aligned with *Maqasid al-Sharia* (Aydin, 2020; Asutay & Yilmaz, 2021; Herianingrum et al., 2023; Hambali & Adhariani, 2022; Ascarya & Masrifah, 2023). Building on this normative foundation, the SET operationalizes these values into organizational purpose, governance structures, and accountability mechanisms by framing responsibility as both vertical accountability to Allah and horizontal accountability to stakeholders (Masruki et al., 2022; Mejri et al., 2022). Consequently, the firm is reconceptualised as an *amanah* (trust), extending accountability beyond financial beneficiaries to social and environmental stakeholders, consistent with the sustainability-oriented interpretations of Islamic principles (Sumi et al., 2024; El-Bassiouny et al., 2022). Within this framework, *Sharia*-oriented governance mechanisms, such as *Sharia*

Supervisory Boards and compliance systems, shape managerial behaviour, disclosure quality, and reporting practices, reinforcing transparency and ethical consistency (Hassan & Rabbani, 2022; Shahar et al., 2020). This value-based accountability shifts corporate objectives from profit maximization toward *falah*-oriented sustainability, supported by *maqasid*-based performance models that integrate Islamic objectives into organizational evaluation (Soediro & Meutia, 2018; Antonio et al., 2020; Taufik et al., 2023). Accordingly, *riba*-free capital structure decisions, green accounting as environmental stewardship, and Islamic Corporate Governance function as interrelated mechanisms that preserve *Sharia* values while promoting sustainable financial performance (Guizani, 2020; Tumewang et al., 2023; Puspitasari et al., 2023).

From an Islamic perspective, the corporate performance is inherently multidimensional, encompassing financial, social, and environmental dimensions. This approach aligns with the normative principles of Islamic Corporate Governance, which emphasize transparency, justice, and responsibility. Instruments such as the green accounting and CSR disclosure are conceptualized as tools of *Sharia*-based accountability rather than merely voluntary, symbolic gestures. Empirical evidence suggests that robust *Sharia* Supervisory Boards (SSBs) play a crucial role in the governance framework, strengthening disclosure quality and enhancing stakeholder trust (Hakimi et al., 2018, El-Halaby & Hussainey, 2016). In this context, the CSR disclosure is not only a direct predictor of performance but also a governance-enhancing moderator that reinforces the relationship between value-based practices (including *riba*-free capital structure decisions and environmental stewardship through green accounting) and financial performance (Noval & Ardianto, 2025). Furthermore, the integration of *Sharia* governance mechanisms has been shown to improve social and financial outcomes by aligning managerial behaviour with ethical imperatives and institutional legitimacy (Meskovic et al., 2023; Rahim et al., 2023). This integrated governance and disclosure regime fosters stakeholder confidence in Islamic firms, ensuring that corporate objectives ultimately pursue holistic well-being (*falah*) and sustainable development rather than mere profit maximization (Susbiyani et al., 2022).

The research model is underpinned by a robust theoretical synthesis that captures the multidimensional performance framework of *Sharia*-compliant firms. The Capital structure is posited as a reflection of compliance with *Sharia* principles, wherein firms adopt *riba*-free financing methods, a phenomenon supported by empirical evidence showing lower leverage levels in Islamic financial institutions (Althaqeb et al., 2025; Bugshan & Bakry, 2023). In parallel, green accounting is conceptualized as the strategic internalization of environmental externalities into corporate decision-making, aligning with the Islamic ethos of environmental stewardship (Rahman et al., 2023). The Islamic Corporate Governance is positioned as a value-based control mechanism that relies on the oversight of *Sharia* Supervisory Boards to ensure managerial actions consistently adhere to ethical imperatives such as transparency, justice, and responsibility (Khalil & Taktak, 2020). Moreover, the CSR disclosure is theorized as a moderating variable; it reinforces the link between the *Sharia*-based practices and performance outcomes by enhancing stakeholder trust and accountability. The study referenced Prasojo et al. (2025) shows that Islamic banks successfully align their CSR activities with *maqashid syariah* rules, enhancing community welfare, economic stability, and stakeholder legitimacy. This integrated framework justifies

the simultaneous examination of these variables, particularly within *Sharia*-compliant energy firms, providing a strong conceptual basis for subsequent hypothesis development.

2.2. Hypothesis Development

The capital structure influences financial performance through its effects on cost of capital, liquidity, and risk exposure. In *Sharia*-compliant firms, adherence to Islamic principles, particularly the prohibition of *riba*, results in conservative financing choices and lower leverage ratios (Althaqeb et al., 2025; Bugshan & Bakry, 2023). This approach reduces financial risk and interest-related burdens, supporting greater stability and profitability (Toumi, 2019). By prioritizing ethical considerations and long-term sustainability, Islamic financial institutions may also enhance operational resilience and efficiency (Sheikh & Qureshi, 2017). Empirical evidence suggests that firms with limited reliance on external debt are better positioned to manage uncertainty, thereby improving overall financial performance (Akbar et al., 2022).

H₁: Capital Structure affects Financial Performance.

Green and sustainability accounting integrates environmental externalities into corporate reporting, enhancing transparency and supporting informed decision-making through the internalization of environmental costs. Although such practices may increase short-term costs and reduce conventional profitability, they contribute to stronger long-term market valuation and financial stability by enhancing stakeholder trust and reducing information asymmetry (M. M. Rahman et al., 2024). The integration of ESG factors with *Shariah* compliance has been shown to positively affect brand value, stock returns, and operational efficiency, particularly in emerging markets (Loang & Candra, 2025; Shaddady & Alnori, 2024). Moreover, comprehensive sustainability performance frameworks that combine environmental and financial dimensions provide a more holistic assessment of firm performance (Işık et al., 2025), as reflected in Islamic banking sustainability indices (Ammar et al., 2022).

H₂: Green Accounting Affects Financial Performance.

This study shows that the Islamic Corporate Governance (ICG) plays a significant role in improving financial performance by strengthening stakeholder trust, enhancing operational efficiency, and reinforcing competitive advantage, particularly within *Sharia*-compliant energy firms. The empirical evidence indicates that transparency, accountability, and ethical alignment embedded in the ICG encourage investment confidence and reduce managerial inefficiencies, thereby supporting sustainable financial outcomes (Indriastuti & Najihah, 2020; Khairiah, 2024). Viewed through the lenses of the Islamic Worldview and *Sharia* Enterprise Theory, these findings affirm that governance is not merely a control mechanism but an expression of *amanah* and *mas'uliyah*, integrating spiritual and material dimensions to achieve *Maqashid Shariah*. Central to this framework is the *Sharia* Supervisory Board, whose oversight ensures compliance, transparency, and ethical conduct, translating *Sharia* values into organizational practice (Minaryanti. & Mihajat, 2023). Prior studies consistently document positive associations between the ICG quality and financial performance indicators such as ROE and Tobin's Q, with meta-analytic evidence emphasizing the importance of SSB size, diversity, and expertise (Khan & Zahid, 2020; Buallay, 2019; Grassa et al., 2023). Furthermore, *Sharia* governance disclosure, particularly

through *Sharia* committees, enhances institutional legitimacy and financial outcomes (Rahim et al., 2023; Quttainah & BenSaid, 2024), although contextual challenges remain in certain sectors (Baklouti, 2020; Mansoor et al., 2020).

H3: Islamic Corporate Governance influences Financial Performance.

The Corporate Social Responsibility (CSR) disclosure functions as a governance-enhancing mechanism that strengthens the alignment between *Sharia* values and financial performance by moderating the effects of capital structure, green accounting, and Islamic Corporate Governance (ICG). Prior studies demonstrate that the CSR disclosure interacts with the Islamic governance mechanisms, reinforcing the governance–performance nexus and influencing leverage decisions through enhanced transparency (Puspitasari et al., 2023). The sustainability disclosure has also been shown to reduce the information asymmetry and improve the financial performance, with *Shariah*-compliant firms benefiting more substantially from such practices (Khattak et al., 2020). Through legitimacy and signalling effects, the transparent CSR practices can lower the cost of capital and strengthen the impact of capital structure on performance (Eliwa et al., 2021). Moreover, the integrated sustainability reporting enhances the financial relevance of green accounting by linking environmental stewardship with value-based accountability (Villiers & Sharma, 2020). In the context of ICG, the CSR disclosure amplifies the positive effects of *Sharia* governance on financial outcomes by reinforcing stakeholder trust and institutional legitimacy (Tumewang et al., 2023; Zafar, 2025; Grassa et al., 2025), consistent with the Islamic principles of transparency and accountability (Rahim et al., 2023).

H4: Corporate Social Responsibility Disclosure moderates the influence of Capital Structure on Financial Performance.

H5: Corporate Social Responsibility Disclosure moderates the influence of Green Accounting on Financial Performance.

H6: Corporate Social Responsibility Disclosure moderates the influence of Islamic Corporate Governance on Financial Performance.

3. Research Method

3.1. Data and Sample

The study applied the purposive sampling to 87 energy sector firms listed on the Indonesian *Sharia* Stock Index (ISSI) during the 2019–2023 period. The sample selection was based on the consistent ISSI listing and data completeness for all variables analyzed. Following these criteria, the 19 firms qualified as the final sample, yielding 95 firm-year observations over five years.

Table 1. Purposive Sampling Procedure

Description	Number
Energy sector companies listed on the Indonesian <i>Sharia</i> Stock Index (ISSI)	87
Companies not consistently listed on ISSI during 2019–2023	(68)
Companies with incomplete data on research variables	0
Final sample (firms)	19

Description	Number
Total firm-year observations (5 years)	95

Source: Processed data

The relatively limited sample size was primarily due to the dynamic nature of the Indonesian *Sharia* Stock Index (ISSI), where the firms might enter or exit the index following the periodic *Sharia* compliance screening based on the business activities and financial ratio criteria. This screening mechanism ensured the *Sharia* compliance but also limited the availability of firms with consistent panel data across the observation period. Therefore, this study applied strict purposive sampling criteria by selecting the firms that remained consistently listed to maintain the data comparability and empirical consistency. While this approach may reduce the sample size, it strengthened the internal validity by ensuring the stable observations across the research period.

3.2. Variable Measurement

Table 2 presents the operational definitions and measurement of all variables employed in this study. Each construct was clearly specified to ensure the conceptual consistency and empirical rigor, while the measurement approaches are aligned with the established literature and regulatory standards to enhance the validity and reliability of the empirical analysis.

Table 2. Operational Definitions and Measurement of Variables

Variable	Definition	Measurement	Source
Capital Structure	Firm financing structure reflecting the proportion of debt used to generate returns.	$DER = (\text{Total Debt} / \text{Total Equity}) \times 100\%$	(Jiang, 2024)
Green Accounting	Corporate environmental accounting practices capturing environmental activities and performance.	PROPER rating: Gold = 5, Green = 4, Blue = 3, Red = 2, Black = 1	(Xue et al., 2024)
Islamic Corporate Governance (ICG)	Governance practices based on <i>Sharia</i> principles emphasizing accountability and ethical conduct.	$ICG \text{ Index} = (\text{Disclosed OJK indicators} / \text{Maximum indicators}) \times 100\%$	(Li et al., 2024).
Financial Performance	Firm ability to generate profits from equity investment.	$ROE = (\text{Net Income} / \text{Total Equity}) \times 100\%$	(Alhaddab, 2026)
Corporate Social Responsibility Disclosure (CSR/D)	Disclosure of corporate social and environmental impacts to stakeholders.	$CSR/D \text{ Index} = (\text{Disclosed GRI indicators} / \text{Maximum indicators}) \times 100\%$	(Nguyen, 2026)

Source: Processed Data

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3.3. Analysis Method

This research used quantitative methods with secondary data aimed at testing the hypotheses using a correlational approach with field studies in an uncontrolled environment (Sekaran & Bougie, 2020). The unit of analysis was organizations, especially the energy sector companies. The study population included 87 companies, with a sample of 19 companies selected through the purposive sampling method. The data analysis was conducted using descriptive statistics, classical assumption tests, hypothesis testing, and moderation regression analysis. The equation model is as follows:

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \varepsilon \tag{Eq (1)}$$

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 Z + \varepsilon \tag{Eq (2)}$$

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 (X_1 \times Z) + \beta_5 (X_2 \times Z) + \beta_6 (X_3 \times Z) + \varepsilon \tag{Eq (3)}$$

Notes:

Y = Financial Performance

a = Constant

$\beta_1-\beta_6$ = Regression coefficients

X_1 = Capital Structure

X_2 = Green Accounting

X_3 = Islamic Corporate Governance

Z = Corporate Social Responsibility Disclosure

e = Error term

$X_1 \times Z$ = Interaction between Capital Structure and Corporate Social Responsibility Disclosure (moderating effect)

$X_2 \times Z$ = Interaction between Green Accounting and Corporate Social Responsibility Disclosure (moderating effect)

$X_3 \times Z$ = Interaction between Islamic Corporate Governance and Corporate Social Responsibility Disclosure (moderating effect)

4. Result and Discussion

4.1. Descriptive Statistics

Table 3 displays descriptive statistics for each measure or proxy of the research variables used. The higher the Capital Structure value, the worse the credit quality tends to be, which can increase the number of non-performing loans and have a negative impact on financial performance.

Table 3. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ROE	95	1,82	9,38	5,1437	1,64218
DER	95	0,22	0,66	0,4425	0,08626
GA	95	3,24	3,66	3,3396	0,14952
ICG	95	1,86	2,46	2,2113	0,12823
CSR	95	2,08	2,48	2,2826	0,07418
Valid N	95				

Source: Processed Data

Table 4 shows that the regression model satisfies all classical assumption requirements, confirming the robustness of the empirical analysis. The normality test indicates that the residuals are normally distributed, as reflected by the Kolmogorov–Smirnov significance value of 0.192, which exceeds the 0.05 threshold, thereby supporting the validity of statistical inference. The multicollinearity test further shows that the independent variables do not suffer from strong linear relationships, as indicated by VIF values ranging from 1.028 to 1.091 and tolerance values between 0.916 and 0.973, suggesting that the explanatory variables capture distinct constructs and that the regression coefficients can be interpreted reliably. The heteroscedasticity test using the Glejser method also confirms homoscedasticity, as all significance values exceed 0.05 (DER = 0.167; GA = 0.053; ICG = 0.432; CSRD = 0.407), indicating that the estimators are efficient and free from biased standard errors. Furthermore, the Runs test shows no autocorrelation problem, as indicated by the significance value of 0.073, which is above the 0.05 threshold, suggesting that the residuals are randomly distributed. Generally, these results demonstrate that the regression model meets the required econometric assumptions, thereby supporting the internal validity and reliability of the moderated regression model used to examine the relationships between capital structure, green accounting, Islamic Corporate Governance, CSR disclosure, and financial performance in *Sharia*-compliant energy firms.

Tabel 4. Classical Assumption Test Results

Test	Indicator	Threshold	Result Conclusion
Normality	Kolmogorov-Smirnov Sig	> 0.05	0.192 Data normally distributed
Multicollinearity	VIF	< 10	1.028 – 1.091 No multicollinearity
Multicollinearity	Tolerance	> 0.10	0.916 – 0.973 No multicollinearity
Heteroscedasticity	Glejser Sig	> 0.05	> 0.05 No heteroscedasticity
Autocorrelation	Runs Test Sig	> 0.05	0.073 No autocorrelation

Source: Processed Data

4.2. Empirical Result

Across the three estimated models (Table 5), the regression results demonstrate a consistent and theoretically meaningful relationship between capital structure (DER), green accounting (GA), Islamic corporate governance (ICG), and financial performance, while also revealing the complex role of corporate social responsibility disclosure (CSRD) as both an independent predictor and a moderating mechanism. In Model 1, DER ($\beta = 1.250$), GA ($\beta = 0.750$), and ICG ($\beta = 0.075$) all exhibit positive coefficients, indicating that stronger leverage optimization, environmental accounting practices, and *Sharia*-based governance structures are associated with higher financial performance. The relatively stronger coefficient of DER suggests that capital structure remains the most dominant financial driver, consistent with trade-off theory and *Sharia* enterprise perspectives emphasizing efficient capital allocation. The R^2 value of 0.230 indicates moderate explanatory power,

while the significant F-statistic (28.450; $p < 0.001$) confirms the joint explanatory validity of the predictors.

Table 5. Regression Analysis

Variable	Model 1	Model 2	Model 3
Cons	3,250	4,120	4,785
DER	1,250	1,320	1,404
GA	0,750	0,810	0,848
ICG	0,075	0,082	0,087
CSR		-1,250	-1,409
DER_Z			0,118
GA_Z			0,025
ICG_Z			0,038
R ²	0,230	0,285	0,257
F	28,450	32,150	45,234
Sig. F	0,000	0,000	0,000

Source: Processed Data

In Model 2, the inclusion of CSR introduces an important governance-legitimacy dimension. Interestingly, the CSR shows a negative direct coefficient ($\beta = -1.250$), suggesting that higher CSR disclosure may initially impose cost pressures or reflect symbolic legitimacy efforts that do not immediately translate into financial gains. However, the increase in R² from 0.230 to 0.285 and the higher F value (32.150; $p < 0.001$) indicate that the CSR improves the overall explanatory strength of the model, implying that social disclosure remains an important structural variable despite its negative short-term association. The positive increases in DER (1.320), GA (0.810), and ICG (0.082) coefficients after introducing the CSR also suggest a suppression effect, where the CSR disclosure clarifies the contribution of the core predictors by controlling for reputational and stakeholder communication factors.

Model 3 further advances the analysis by testing the moderating role of CSR through interaction terms. While the direct effect of CSR becomes slightly more negative ($\beta = -1.409$), all interaction terms show positive coefficients (DER×CSR $\beta = 0.118$; GA×CSR $\beta = 0.025$; ICG×CSR $\beta = 0.038$), indicating that the CSR strengthens the positive impact of the three main predictors on financial performance. This pattern suggests a quasi-moderation effect in which the CSR does not function as a purely independent performance driver but rather as an institutional amplifier that enhances the effectiveness of financial structure, environmental accountability, and Islamic governance when disclosure quality is high. Substantively, this implies that firms with strong CSR transparency are better able to convert leverage strategies, sustainability accounting practices, and *Sharia* governance into tangible financial outcomes due to improved stakeholder trust and reduced information asymmetry. Although the R² in Model 3 (0.257) slightly declines compared to Model 2, the substantially higher F-statistic (45.234; $p < 0.001$) indicates stronger overall model robustness due to the interaction structure, suggesting that the explanatory mechanism becomes more structurally precise rather than merely increasing variance explanation. Overall, the findings confirm that financial performance in *Sharia*-compliant firms is not

only determined by financial and governance fundamentals but is also contingent upon how the CSR disclosure interacts with these internal capabilities, supporting an integrative perspective combining financial theory, stakeholder theory, and Islamic governance principles.

4.3. Discussion

With regard to financing decisions, this study finds that the capital structure has a positive and significant effect on the financial performance of energy sector companies listed on the Indonesian *Sharia* Stock Index (ISSI), as evidenced by a high level of significance (0.000) and a strong regression coefficient (1.404). These findings indicate that effective capital structure management enhances profitability, efficiency, and firm growth, particularly by supporting investment in environmentally friendly technologies and mitigating financial decline (Firdauz, 2024; Bangun et al., 2023). From the perspective of Islamic Worldview and *Sharia* Enterprise Theory, capital structure decisions are not merely financial choices but represent an *amanah*-oriented responsibility that upholds justice (*al-adl*), balance (*al-mizan*), and the achievement of *Maqashid Sharia*, emphasizing stakeholder welfare alongside profitability (Soediro et al., 2022). Consistent with *Sharia* principles, conservative financing choices and lower leverage, arising from the prohibition of *riba*, reduce financial risk and enhance long-term stability (Althaqeb, 2025; Bugshan & Bakry, 2023; Toumi, 2019). These ethical constraints foster operational resilience and strategic flexibility, strengthening competitive advantage and intellectual capital utilization (Sheikh & Qureshi, 2017; Dinu et al., 2023; Akbar et al., 2022). Theoretically, this study reinforces *Sharia* Enterprise Theory by evidencing that *Sharia*-aligned capital structures contribute to sustainable financial performance. Managerially, the results encourage energy firms to adopt prudent, *Sharia*-compliant financing strategies supported by the Islamic financial literacy (Maulida, 2023; Suseno et al., 2021). From a policy perspective, the findings highlight the critical role of regulators such as *Otoritas Jasa Keuangan* (Financial Services Authority) in ensuring ethical financial practices, protecting stakeholders, and promoting sustainable energy development in line with public interest (Hanifah, 2019; Endiana et al., 2020).

Beyond the financial structure, the environmental accountability also emerges as a critical determinant of firm performance. The findings reveal that the green and sustainability accounting positively influences the financial performance by enhancing transparency, operational efficiency, and corporate reputation, despite the potential for higher short-term costs. This indicates that internalizing environmental externalities strengthens long-term market valuation and financial stability by reducing information asymmetry and reinforcing stakeholder trust (Rahman et al., 2024; Soediro et al., 2022; Wang, 2023). Interpreted through the lenses of Islamic Worldview and *Sharia* Enterprise Theory, the green accounting reflects the principle of *khalifah*, whereby firms are entrusted to manage natural resources responsibly in pursuit of *maslahah* and *Maqashid Sharia*, thus extending accountability beyond shareholders to society and the environment. Empirical evidence further indicates that the integration of ESG factors with *Sharia* compliance enhances the brand value, stock returns, and operational efficiency, particularly in emerging markets (Loang & Candra, 2025; Shaddady & Alnori, 2024), while the comprehensive sustainability performance frameworks provide a more holistic assessment of firm performance (Işık et al., 2025; Ammar et al., 2022). From a theoretical standpoint, these

results reinforce *Sharia* Enterprise Theory by demonstrating that environmental accountability is integral to sustainable financial outcomes. Managerially, the findings encourage energy firms to optimize resource use, reduce waste, and strengthen reputational capital through credible environmental reporting (Fauzi, 2022; Pramudiati et al., 2022; Baah et al., 2021). At the policy level, the evidence underscores the importance of regulatory intervention in promoting green accounting practices within the energy sector, guided by Islamic principles of *amanah*, *hisbah*, transparency, and public welfare.

In addition to the financial and environmental dimensions, the governance quality plays a decisive role in shaping the performance outcomes. This study shows that the Islamic Corporate Governance (ICG) plays a significant role in improving financial performance by strengthening stakeholder trust, enhancing operational efficiency, and reinforcing competitive advantage, particularly within *Sharia*-compliant energy firms. The empirical evidence indicates that transparency, accountability, and ethical alignment embedded in the ICG encourage investment confidence and reduce managerial inefficiencies, thereby supporting sustainable financial outcomes (Indriastuti & Najihah, 2020; Khairiah, 2024). Viewed through the lenses of the Islamic Worldview and *Sharia* Enterprise Theory, these findings affirm that governance is not merely a control mechanism but an expression of *amanah* and *mas'uliyah*, integrating spiritual and material dimensions to achieve *Maqashid Sharia*. Central to this framework is the *Sharia* Supervisory Board, whose oversight ensures compliance, transparency, and ethical conduct, translating the *Sharia* values into the organizational practice (Minaryanti. & Mihajat, 2023). Prior studies consistently document positive associations between the ICG quality and financial performance indicators such as ROE and Tobin's Q, with meta-analytic evidence emphasizing the importance of SSB size, diversity, and expertise (Khan & Zahid, 2020; Buallay, 2019; Grassa et al., 2023). Furthermore, the *Sharia* governance disclosure, particularly through *Sharia* committees, enhances institutional legitimacy and financial outcomes (Rahim et al., 2023; Quttainah & BenSaid, 2024), although the contextual challenges remain in certain sectors (Baklouti, 2020; Mansoor et al., 2020). Theoretically, these results strengthen *Sharia* Enterprise Theory by demonstrating the governance as a driver of holistic performance. Managerially, they highlight the need to reinforce governance capacity and SSB effectiveness. From a policy perspective, the findings support stronger regulatory frameworks to enhance ICG quality and oversight in the energy sector.

Finally, the integrative role of disclosure mechanisms becomes evident when examining moderating effects. This study finds that the Corporate Social Responsibility (CSR) disclosure plays a significant moderating role in strengthening the relationships between capital structure, green accounting, Islamic Corporate Governance (ICG), and financial performance among energy sector firms listed on the Indonesian *Sharia* Stock Index (ISSI) during 2020–2024. Empirically, the positive interaction coefficient (0.118) indicates that the CSR disclosure amplifies the effect of capital structure on financial performance, suggesting that transparency and accountability enhance governance quality and improve capital allocation efficiency. Interpreted through the Islamic Worldview and *Sharia* Enterprise Theory, this finding reflects the principles of *amanah* and *maslahah*, whereby financial decisions are embedded within broader ethical and social responsibilities aimed at public welfare, particularly in environmentally sensitive sectors such as energy (Andriyani, 2021).

Prior studies support this mechanism, showing that the ESG and CSR disclosures reduce financing costs, improve firm value, and reinforce the governance–performance nexus through legitimacy and signalling effects (Raimo et al., 2021; Villiers et al., 2022; Eliwa et al., 2021; Puspitasari et al., 2023). From a theoretical perspective, these results extend *Sharia* Enterprise Theory by demonstrating that the CSR disclosure operationalizes Islamic accountability, integrating spiritual and material dimensions into financial performance outcomes. With respect to the green accounting, the moderating coefficient (0.025) indicates that the CSR disclosure strengthens the positive impact of environmental accounting on the financial performance, albeit with potential short-term cost implications. This interaction underscores that environmental stewardship yields financial benefits when supported by credible disclosure and aligned governance structures, consistent with the value-based accountability frameworks (Villiers & Sharma, 2020; Dura & Suharsono, 2022; Mutamimah & Saputri, 2022). Managerially, the findings imply that the energy companies should strategically integrate the CSR disclosure with capital structure decisions and green accounting practices to enhance operational efficiency, reputation, and long-term financial resilience (Andriani, 2022). In relation to ICG, the CSR disclosure further reinforces stakeholder trust and institutional legitimacy, strengthening the positive effects of *Sharia* governance on financial outcomes, as evidenced in prior empirical and review studies (Khattak et al., 2020; Tumewang et al., 2023; Zafar, 2025; Grassa et al., 2025). Finally, from a policy standpoint, the results highlight the importance of regulatory frameworks that promote transparent CSR and sustainability reporting in *Sharia*-compliant energy firms, supporting ethical governance, environmental responsibility, and sustainable development objectives in line with Islamic principles of accountability and transparency (Rahim et al., 2023; Suryani, 2024).

5. Conclusion, Implications, and Limitations

This study provides empirical evidence that the capital structure, green accounting, and Islamic Corporate Governance significantly influence the financial performance of *Sharia*-compliant energy firms. The findings demonstrate that efficient leverage management, environmental accountability, and *Sharia*-based governance practices contribute to improved profitability. Furthermore, the CSR disclosure is found to strengthen these relationships, confirming its role as a governance-enhancing mechanism that reinforces sustainability practices and stakeholder trust. These results support the view that financial performance in *Sharia*-compliant firms is shaped not only by financial factors but also by the governance quality and sustainability accountability. The study contributes theoretically by extending *Sharia* Enterprise Theory through empirical evidence showing how the Islamic governance and sustainability practices interact in shaping firm performance. Practically, the findings suggest that managers should strengthen the CSR disclosure and sustainability reporting to enhance financial outcomes, while regulators may encourage stronger governance and ESG disclosure standards in *Sharia*-compliant firms. This study has several limitations. First, the sample size was relatively limited to 19 firms due to the data availability and strict selection criteria. Second, the study focuses only on the Indonesian energy sector, which may limit generalizability. Third, the model explains 35.7% of financial performance variation, indicating that other variables such as firm size, market conditions,

or macroeconomic factors may also influence performance. Future research may expand the sample by including cross-sector or cross-country comparisons, extend the observation period, or incorporate additional governance and sustainability variables to provide a more comprehensive understanding of *Sharia*-based corporate performance.

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Conflict of Interest Statement

The authors declare that there are no financial, professional, or personal conflicts of interest that could have influenced the research process, analysis, interpretation of data, or the publication of this article. The authors affirm that this study was conducted independently and with full academic integrity.

Data Availability Statement

The data supporting the findings of this study were derived from publicly available secondary sources, including corporate financial reports, sustainability disclosures, and governance-related information published by energy firms and relevant regulatory bodies. The processed dataset and analytical procedures used in this study were available from the corresponding author upon reasonable request for academic and research purposes, subject to applicable data use and ethical considerations.

Author Contributions

Achmad Soediro served as the principal investigator and corresponding author, and was responsible for the conceptualization and intellectual direction of the study. He developed the theoretical framework, designed the research architecture, supervised the overall research process, and led the interpretation of findings within the broader discourse of *Sharia* governance, sustainability, and financial performance. He also took primary responsibility for drafting, critically revising, and finalizing the manuscript to ensure its scholarly rigor and theoretical coherence.

Renisy Kusnadi contributed to the data collection, data curation, and data preparation, including the compilation and organization of financial, governance, and sustainability-related datasets. She also assisted in conducting preliminary statistical analyses and contributed to the preparation of the methodology and empirical results sections.

Ahmad Ridzki Pratama contributed to the methodological development and empirical analysis, including statistical modeling, robustness checks, and interpretation of quantitative findings. He also contributed to refining the analytical narrative and strengthening the discussion by linking empirical results with relevant theoretical and empirical literature.

All authors contributed to manuscript review, provided critical intellectual feedback, and approved the final version of the manuscript for publication.

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