Jurnal Analisis Bisnis Ekonomi
Vol. 23 No. 1 (2025) pp. 31-43
pISSN: 1693-5950 | eISSN: 2579-647x
Journal Homepage: http://journal.unimma.ac.id/index.php/bisnisekonomi

Determinants of Islamic Bank Market Capitalisation: The Moderating Role of Banking Growth in MENA Region

Taufikur Rahman, **Yusvita Nena Arinta**, **Dini Rahmayanti**, **Bayu Nurhadi**
Faculty of Islamic Economic and Business, Universitas Islam Negeri Salatiga, Indonesia

taufik.rahman@uinsalatiga.ac.id

https://doi.org/10.31603/ bisnisekonomi.v23i1.15076

Submitted: 19/10/2025 Revised: 13/12/2025 Accepted: 29/12/2025

Keywords: ISB Education; Market Capitalization; Banking Growth; MENA Region

Abstract

Market Capitalisation is an important market indicator of the value of a company's shares. This study aims to analyze the role of banking growth in the relationship between the educational background of Islamic Supervisory Board (ISB) and market capitalism of Islamic banking in the Middle East and North Africa (MENA) region. The samples of this research are 183 Islamic banks in the Middle East and North Africa (MENA) region. Data was obtained from the ESGI database. The method used is Ordinary Least Squares and MRA to test the relationship between ISB educational background and market capitalisation and the role of banking growth as a moderating variable. The results show that the ISB educational background positively affects the market capitalisation of Islamic banks in the MENA region and the banking growth has succeeded in strengthening this effect. These findings offer insight to consider in establishing an Islamic supervisory board with a high educational background so that investor confidence becomes stronger in choosing their investments. These findings show the importance of a method of governance, transparency, and responsibility that an Islamic supervisory board must have so that its knowledge is appropriate to its field.

Kata kunci: *ISB Education; Market Capitalization; Banking Growth; MENA Region*

Abstrak

Kapitalisasi Pasar merupakan indikator pasar yang penting terhadap nilai saham suatu perusahaan. Penelitian ini bertujuan untuk menganalisis peran pertumbuhan perbankan dalam hubungan antara latar belakang pendidikan Dewan Pengawas Syariah (DPS) dan kapitalisasi pasar perbankan syariah di kawasan Timur Tengah dan Afrika Utara (MENA). Sampel penelitian ini adalah 183 bank syariah di kawasan Timur Tengah dan Afrika Utara (MENA). Data diperoleh dari basis data ESGI. Metode yang digunakan adalah Ordinary Least Squares dan MRA untuk menguji hubungan antara latar belaang pendidikan DPS dan kapitalisasi pasar, serta peran pertumbuhan perbankan sebagai variabel moderasi. Hasil penelitian menunjukkan bahwa latar belakang pendidikan DPS berpengaruh positif terhadap kapitalisasi pasar bank syariah di kawasan MENA dan pertumbuhan perbankan berhasil memperkuat pengaruh tersebut. Temuan ini memberikan wawasan yang perlu dipertimbangkan dalam membentuk DPS dengan latar pendidikan yang tinggi agar kepercayaan investor semakin kuat dalam memilih investasi. Temuan ini menunjukkan pentingnya metode tata kelola, transparansi, dan tanggung jawab yang harus dimiliki oleh DPS agar pengetahuannya sesuai dengan bidangnya.

1. Introduction

Market Capitalisation is an important market indicator of a company's share value (Putri et al., 2020; Dias, 2013). The value of shares reflects company performance, thereby influencing market capitalisation (Omodero, 2020). Market Capitalization is a vital component in the modern economy, which allows companies to raise funds from investors through stock offerings or other financial instruments (Mueller et al., 2017). Market Capitalization has an urgency, namely being a metric in determining company value from a market perspective. Market capitalisation is a measure of the value of a public company (Şerban et al., 2022). Market capitalisation is the total monetary value of all company shares

in circulation (Fernando, 2022). The competition between the Islamic and conventional banking industries affects bank stability and market capitalisation (Hassan et al., 2021).

The primary goal of the corporation is to maximise shareholder wealth, so the issue of bank profitability is always a problem in achieving this goal because profitability is a key component in stock prices and influences bank investor decisions (Quoc & My, 2023). In Islamic finance, Sharia principles govern transactions and investments, ensuring that economic activities comply with the teachings of Islam. One important element in ensuring compliance with Sharia principles in company transactions is the Islamic Supervisory Board (ISB) (Nomran et al., 2014). ISB is responsible for ensuring that the company's activities and the financial instruments offered comply with established Sharia criteria. The function of monitoring Sharia compliance inherent in SSB makes it attractive to investors, especially in countries with Muslim-majority populations. The credibility of the Islamic Supervisory Board instils confidence in investors interested in Sharia-compliant investments. Investors tend to have more trust and confidence in companies that operate with Islamic ethical principles, thereby increasing their interest in investing (Ginena & Hamid, 2015). Companies that obtain Sharia certification from the Islamic Supervisory Board have the potential to attract a wider range of investors, including those specifically looking for investments that are in line with Islamic religious values, thus having a positive impact on increasing demand for company shares and thus increasing market capitalisation (Grassa, 2015).

The involvement of the Islamic Supervisory Board can attract investors from various countries, especially from regions with a majority Muslim population. This investor diversification can help reduce market risk and volatility (Dias, 2013). Product Development The Islamic Supervisory Board encourages companies to develop products and services that comply with Sharia principles, such as Sukuk bonds or Sharia mutual funds. This step can increase product diversity in the market and attract investors who have diverse investment preferences. Risk Control The Islamic Supervisory Board also plays a role in ensuring companies do not get involved in activities that are considered haram (not by Islamic principles), such as alcohol, gambling, or industries related to usury. This can help reduce reputational risks and legal risks that can affect a company's value in the market.

Recent studies show a negative relationship between ISB frequency and Islamic bank performance. This is due to high costs due to the impact of frequent meetings to explain operations and monitor Sharia compliance. High costs cause a decline in financial performance (Alsartawi, 2019). The frequency and number of ISB members must show efficiency to be able to produce decisions (Baklouti, 2020). On the other hand, SSB independence has a positive and significant effect on the performance of Islamic banking. This is due to the lack of internal operational supervision carried out by the SSB, so that supervision can be taken over by the management. On the other hand, SSB independence will improve the quality and volume of disclosure, thereby increasing the transparency of accounting information and reducing the asymmetry of data provided to investors.

Given the inconsistencies, there is still little research directly on market capitalisation, but there is a lot of research in other contexts regarding market capitalisation. Previous research regarding the influence of ISB characteristics on market capitalisation is

an interesting topic and has a role to be studied further in the context of this research. The latest study by Al-Mubarak et al., (2021) argues that the characteristics of the supervisory board have a significant influence on the expansion of market capitalisation. This research highlights the variables in characteristics that have a big impact on market capitalisation.

This research aims to reveal the impact of the characteristics of the supervisory board on the market capitalisation of the Islamic Banks. Identify the characteristics of the supervisory board towards increasing investor interest in Islamic banks. This research addresses the concerns of previous research, which only had an impact on the financial performance of Islamic banks. Beyond that, this research has an impact on expanding the market capitalisation of Islamic Banks. This research provides comprehensive results at the Islamic bank level in the MENA region. This research is also the first to use bank growth as a moderating factor that strengthens the impact on market capitalisation. There are several contributions to this research. Firstly, this research provides a comprehensive overview of the literature regarding the impact of supervision board characteristics on market capitalisation. These two studies have an impact on the existing literature on country segments in the MENA region. These three papers are useful for practitioners and regulators of Sharia Banking as an addition to the treasury of insights and views to improve governance in Islamic financial institutions.

2. Literature Review

2.1. Stakeholder Theory

Stakeholder Theory discusses a group of people who influence and are influenced by each other to achieve goals with two-way responsibility, including community and business stakeholder groups (Freeman et al., 2010). Stakeholder Theory has strategic management that strengthens relationships between interest groups so that they can be more competitive, and accountability is maintained. In the context of modern business, market capitalism has a long-term strategy in supporting the sustainability of company development by prioritising various parties who influence and are influenced by each other to obtain the right balance in the long term.

2.2. Hypothesis Development

The Islamic supervisory board, with its main role of monitoring, ensures that the economic and non-economic activities of Sharia banks are conducted in accordance with the principles of Sharia, with a guarantee of transparency in the quality of financial reports (Azhar et al., 2022). ISB, with its role, improves the quality of financial reporting and transparency, thus encouraging investors to make investment decisions in Sharia banks (Astuti, 2015). In line with research by Rustiarini (2010), which states that the Islamic supervisory board has a positive influence on market capitalism. The higher the transparency and quality of a company's financial reporting, the more market capitalism will increase, as evidenced by the increase in company share prices. Apart from that, the research results of Retno & Priantinah (2012) also show a positive relationship between the two; the higher

implementation of the Islamic supervisory board will improve the quality of financial reporting, which is a trigger for increasing Sharia bank market capitalism.

H1: An Islamic supervisory board with a PhD degree has a positive effect on market capitalisation

The Islamic supervisory board functions in supervising and providing advice to the directors so that management activities can run according to the rules and still prioritise transparency (Astuti, 2015). ISB ensures that Sharia Bank's performance increases with quality and sustainability guarantee ISB ensure that Sharia Bank's performance increases with quality and sustainability guarantees (Hartini et al., 2021).

Market capitalism, in its implementation, is heavily influenced by the company's total assessment, where this assessment is closely related to the performance of the Islamic supervisory board (Fernando, 2022). The growth of company assets reflects company growth with an increase in company value (Mongid, 2015). The growth of company assets is important to support market capitalisation. The Islamic supervisory board functions as a supervisor and guardian of the integrity of the company's transparency, and the level of growth in asset value is a potential indicator for investors regarding the company's long-term prospects, so that if these two variables are well integrated, it will increase market capitalism.

H2: The Islamic supervisory board has a significant positive effect on market capitalisation, which is moderated by banking growth.

3. Methods

This research employs purposive sampling techniques and applies the Stakeholder Theory framework. The study's population and sample were derived from the ESGI database, encompassing data on ISBEDU, BSIZE, ROA, DAR, INTAN, CURRENT, GROWTHTA, LEV, and PPE. The initial population was drawn from all Sharia banks operating in the Middle East and North Africa (MENA) countries, totalling 567, from which a sample of 183 was selected. This sample selection process involved several considerations, observations, and a focus on data reliability, encompassing data spanning 2016 to 2021. To ensure the final sample size of 183 observations, some samples were removed. To mitigate the potential influence of outliers in our research, we applied winsorization to adjust for extreme values. Specifically, we set a threshold of <1% for all continuous variables, effectively mitigating the impact of extreme data points on our analysis. **Table 1** succinctly summarises the selection process employed in this study.

Table 1. Sampling criteria

Criteria Sampling	Firm Years
Islamic Banking in the MENA region from 2016 to 2021	567
Exclude:	
Islamic banking year with missing data	384
Final sample	183

Source: Islamic Banking data, processed secondary data, 2023

Table 2 shows the results of sample selection criteria using purposive sampling with the Eq. (1).

$$MARCAP = \beta_0 + \beta_1 ISBPHDEDU + \beta_2 BSIZE + \beta_3 ROA + \beta_4 DAR + \beta_5 INTAN + \beta_6 CURRENT + \beta_7 GROWTHTA + \beta_8 LV + \beta_9 PPE + e \quad (1)$$

$$MARCAP = \beta_0 + \beta_1 + \beta_2 ISBPHDEDU \times GROWTHTA$$

In this research, we have defined Market Capitalisation as the dependent variable, reflecting the outcome under investigation. The independent variable of interest is the presence of an Islamic supervisory board with members holding PhD degrees. Additionally, we have incorporated a moderating variable, namely banking growth, to assess its impact on the relationship between the Islamic supervisory board and PhD degree holders and market capitalisation. Furthermore, our study incorporates eight control variables to account for potential confounding factors and provide a more comprehensive analysis of the factors affecting market capitalisation. These control variables are essential for ensuring that any observed relationships are not influenced by extraneous factors and can be accurately attributed to the variables of primary interest.

Table 2. Measurement variables

Variable Name	Definition	Measurement
Dependent variable		
MARCAP	Market capitalization	
Independent variable		
ISBPHDEDU	Islamic supervisory board with Ph.D. degree.	The total number of ISB with Ph.D. degrees.
Moderating variable		
GROWTH	Growth of Sharia bank assets	The degree to which bank assets increase (decrease) in value over time
Control variable		
BSIZE	Board size	Log of the total number of members of the board
ROA	Return on Assets	Net income available to stockholders/Total assets
DAR	Debt to Asset Ratio	Total debt scaled to total assets
INTAN	Intangible assets	Total intangible assets/total assets
CURRENT	Current assets	Total current liability/total current assets
GROWTHTA	Bank Size	Log of total assets
LEV	Leverage	Total debt/Total assets
PPE	Property, plant and equipment	Total property, plant, and equipment scaled / total assets

4. Results and Discussion

The initial phase of this analysis involves providing a comprehensive description of the variables to assess the distribution of the data, as presented in **Table 3**. This preliminary step allows us to gain insights into the characteristics and patterns of the data, laying the foundation for subsequent statistical analysis.

Based on the data processing results in **Table 4**, it is evident that the average Market Capitalisation of Islamic Banking in MENA stands at 1.134, with a minimum value of 3.360 and a maximum value of 7.945. The average value for Sharia Supervisory Board members with PhD backgrounds is 1.134, with a minimum of 0.000 and a maximum of 1.000. The average board size, measured by BSIZE, is 10.655. The average Return on Assets (ROA) ratio is 0.461, while the average Debt to Asset Ratio (DAR) is 23.591. The average Intangible Assets amount is 0.277, and the average Current Assets amount is 5.694. Additionally, the average Growth in Total Assets is 1.940. As for Leverage, it has an average value of 1.450, and the average Property, Plant, and Equipment amount is 0.446.

Table 3. Statistics descriptive

	Mean	Median	Minimum	Maximum	SD
MARCAP	1.134	0.898	3.360	7.945	1.115
ISBPHDEDU	1.134	0.895	0.000	1.000	1.123
BSIZE	10.655	11.639	1.118	25.664	4.915
ROA	0.461	0.000	0.000	1.000	0.308
DAR	23.591	23.595	19.817	26.587	1.211
INTAN	0.277	0.000	0.000	1.000	0.447
CURRENT	5.694	5.102	-36.175	38.163	10.344
GROWTHTA	1.940	1.526	0.127	11.399	1.376
LEV	1.450	1.193	0.043	8.703	1.160
PPE	0.446	0.435	0.012	0.918	0.209

Source: Computed by stata Software

Table 4. Pearson correlation

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]
MARCAP	1.000									
ISBPHDEDU	-0.169**	1.000								
	(0.013)									
BSIZE	-0.056	0.294***	1.000							
	(0.414)	(0.000)								
ROA	0.329***	-0.326***	-0.205***	1.000						
	(0.000)	(0.000)	(0.003)							
DAR	0.310***	-0.284***	-0.150**	0.808***	1.000					
	(0.000)	(0.000)	(0.029)	(0.000)						
INTAN	0.356***	-0.230***	-0.170**	0.548***	0.507***	1.000				
	(0.000)	(0.001)	(0.013)	(0.000)	(0.000)					
CURRENT	0.274***	-0.053	-0.109	0.029	0.076	0.059	1.000			
	(0.000)	(0.440)	(0.111)	(0.676)	(0.269)	(0.387)				
GROWTHTA	0.165**	0.235***	-0.158**	0.205***	0.107	0.286***	-0.333***	1.000		
	(0.015)	(0.001)	(0.021)	(0.003)	(0.118)	(0.000)	(0.000)			
LEV	-0.072	0.119*	0.203***	-0.129*	-0.098	-0.020	-0.022	-0.045	1.000	
	(0.297)	(0.082)	(0.003)	(0.059)	(0.153)	(0.774)	(0.745)	(0.509)		
PPE	-0.230***	-0.170**	0.310***	-0.284***	0.119*	0.203***	0.165**	0.235***	-0.170**	1.000
	(0.001)	(0.013)	(0.000)	(0.000)	(0.082)	(0.003)	(0.015)	(0.001)	(0.013)	

Source: Computed by stata Software

Notes: t statistics in parentheses* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Based on the results of the Pearson correlation test, we have identified a noteworthy negative correlation between Sharia banking institutions supervised by a Sharia Supervisory Board with members holding Ph.D. degrees and Market Capitalisation at the 5% significance level (Correlation coefficient: -0.169). This finding implies that the presence of Sharia Supervisory Board members with Ph.D. backgrounds tends to be associated with lower market capitalisation in the context of Sharia banking in MENA. However, it's worth noting that profitability exhibits a positive correlation, and if it is linked to market capitalisation, it can lead to an increase in market capitalization. Importantly, the correlations between other

variables that have yielded significant results do not indicate multicollinearity issues. This suggests that these correlations can be utilised for further analysis without concerns regarding high intercorrelation among the variables, thereby enhancing the robustness of our findings.

Table 5. Main results

	(1)	(2)	(3)
	MARCAP	**MARCAP**	**MARCAP**
ISBPHDEDU		0.163*	0.163*
		(2.11)	(2.14)
ISBPHDEDUxGROWTH			0.000**
			(3.28)
BSIZE	0.062*	0.057*	0.062*
	(2.01)	(1.84)	(2.01)
ROA	0.265*	0.268*	0.265*
	(2.18)	(2.14)	(2.18)
DAR	-0.494**	-0.475**	-0.494**
	(-3.37)	(-3.13)	(-3.37)
INTAN	0.487	-0.114	0.487
	(1.58)	(-0.35)	(1.58)
CURRENT	-0.429	-0.306	-0.429
	(-1.42)	(-1.01)	(-1.42)
GROWTHTA	0.288	0.757**	0.288
	(1.13)	(2.87)	(1.13)
LEV	0.477**	0.470**	0.477**
	(3.43)	(3.29)	(3.43)
PPE	-0.095	-0.106	-0.095
	(-0.58)	(-0.64)	(-0.58)
YearDummies	Yes	Yes	Yes
IndustryDummies	Yes	Yes	Yes
CONSTANT	9.626**	10.472**	9.626**
	(4.42)	(4.74)	(4.42)
r2	0.416	0.368	0.416
N	183	183	183

Source: Computed by Stata Software

Notes: t statistics in parentheses * $p < 0.1$, * $p < 0.05$, ** $p < 0.01$

4.1. ISB Ph.D. Degree and Market Capitalisation

The regression results reveal that in the second and third columns, there exists a statistically significant positive relationship between Sharia banking institutions overseen by Sharia Supervisory Board members holding Ph.D. degrees and Market Capitalisation, with a probability of less than 0.05. These findings indicate that Sharia banking institutions in MENA, under the supervision of Sharia Supervisory Board members with higher educational backgrounds, are likely to achieve greater market capitalisation than their counterparts.

The Islamic supervisory board has a significant negative influence on market capitalisation, not all banks have implemented good governance, and banks must be responsive to business management both technically and non-technically (Iskandar et al., 2019). Market capitalisation is one of the indicators looked at by investors, so increasing it requires governance from a quality supervisory board. The same research conducted by Mohamed and Elewa (2016) also stated that the level of educational background of the

Islamic supervisory board does not have a strong relationship with market capitalism because each bank or company has a different level of problems.

Research from Mulyono et al. (2018) shows that the implementation of an Islamic supervisory board has a positive effect on market capitalisation because the development of Islamic supervisory board governance is increasingly developing, so its implementation can bring progress to banking. This is supported by Coombes and Watson (2000) opinion that investment will be safer if good governance is implemented, as in Asia and America. Research by Ojeka et al. (2017) also reveals that the Islamic supervisory board has a significant influence on market capitalisation. With the existence of a supervisory board, the independence of a bank or company becomes higher, so that it can increase market capitalisation

Market Capitalisation serves as a primary indicator of a company's financial health and is a pivotal factor that investors often consider when formulating their investment strategies. Furthermore, it serves as a critical tool for companies in managing their operations (Alarussi, 2023). Our research has shown that bank supervision by highly educated Sharia Supervisory Board members can significantly enhance market capitalisation. This discovery underscores the significance of governance in the context of Sharia banking, particularly in supervising the Sharia financial system. Investors exhibit a heightened awareness of their investments in Sharia banking in MENA, and they meticulously scrutinise whether their Sharia financial activities are adequately safeguarded. Notably, the attributes and qualifications of the Sharia Supervisory Board members, including their educational backgrounds, carry substantial weight in investors' decision-making when allocating capital in this domain.

Indeed, having a highly educated Sharia Supervisory Board (DPS) brings a profound understanding of the technical intricacies within Sharia banking, encompassing aspects such as the basis for profit sharing and other essential components (Malik, 2012). This educational background equips DPS members with comprehensive and integral knowledge in the field, instilling confidence in investors. Investors tend to be more assured and confident in their investment decisions when they see the presence of highly educated DPS members. Such qualifications provide strong assurance of expertise and competence in overseeing and ensuring adherence to Sharia principles within the banking system, thereby enhancing investors' trust and bolstering their willingness to invest.

4.2. ISB Ph.D. and Market Capitalisation moderated by bank growth

The findings from the results presented in the **Table 6** suggest a noteworthy relationship: the presence of highly educated Islamic Supervisory Board members is positively reinforced by the growth of Sharia banks in the MENA region. This synergy has a substantial impact on the increase in market capitalisation for Sharia banking, as indicated by a probability value of less than 0.05. A substantial increase in bank assets indicates robust growth and financial strength. High asset levels make it easier for banks to secure funding sources, which in turn enhances investor confidence in depositing their funds with the bank. Therefore, the growth of bank assets serves as a moderator between highly educated DPS

and market capitalisation, as substantiated by the regression results. Investors, in addition to considering the qualifications of the DPS, also factor in the growth of the bank's assets when making their investment decisions. The growth of these assets is a critical indicator that investors take into account. When a bank demonstrates positive asset growth, it is less likely to face financial difficulties, and its overall development prospects improve, further boosting investor confidence and attracting potential investments.

As a result of this finding, it is evident that Sharia banks benefit from the presence of highly educated Sharia Supervisory Board members, leading to robust banking asset growth. Consequently, our research has successfully established that the growth of Sharia banks serves as a moderator in the relationship between highly educated DPS and market capitalisation. This dynamic relationship underscores the crucial role that the educational qualifications of DPS members play in shaping the market capitalisation of Sharia banks, with the growth of assets acting as a pivotal moderating factor.

Table 6. Heckman (1979)-two stage least square

	(1)		(1)	(2)	(3)
	ISBEDU		**MARCAP**	**MARCAP**	**MARCAP**
Mean_ISBEDU		ISBPH.D.EDU		0.163*	0.163*
				(2.11)	(2.14)
		ISBPH.D.EDUxGROWTH			0.000**
					(3.28)
BSIZE	0.062*	BSIZE	0.062*	0.057*	0.062*
	(2.03)		(2.01)	(1.84)	(2.01)
ROA	0.272*	ROA	0.265*	0.268*	0.265*
	(2.20)		(2.18)	(2.14)	(2.18)
DAR	-0.594**	DAR	-0.494**	-0.475**	-0.494**
	(-3.47)		(-3.37)	(-3.13)	(-3.37)
INTAN	0.486	INTAN	0.487	-0.114	0.487
	(1.61)		(1.58)	(-0.35)	(1.58)
CURRENT	-0.479	CURRENT	-0.429	-0.306	-0.429
	(-1.49)		(-1.42)	(-1.01)	(-1.42)
GROWTHTA	0.273	GROWTHTA	0.288	0.757**	0.288
	(1.43)		(1.13)	(2.87)	(1.13)
LEV	0.457**	LEV	0.477**	0.470**	0.477**
	(3.53)		(3.43)	(3.29)	(3.43)
PPE	-0.095	PPE	-0.095	-0.106	-0.095
	(-0.62)		(-0.58)	(-0.64)	(-0.58)
YearDummies	Yes	YearDummies	Yes	Yes	Yes
IndustryDummies	Yes	IndustryDummies	Yes	Yes	Yes
CONSTANT	9.722**	CONSTANT	9.626**	10.472**	9.626**
	(4.45)		(4.42)	(4.74)	(4.42)
R-square	0.231	R-square	0.416	0.368	0.416
Psedo.R-square	0.221	Adjusted R-square	0.445	0.421	0.414
N	175	N	176	176	176

Source: Computed by Stata Software

Note: t statistics in parentheses * $p < 0.1$, * $p < 0.05$, ** $p < 0.01$

To safeguard the integrity and reliability of the relationship between the dependent and independent variables, we conducted an endogeneity test employing the two-stage least squares (2SLS) method (Heckman, 2013). The consideration of endogeneity is crucial as it helps prevent misinterpretation and the introduction of biased results in our research. Endogeneity, in this context, pertains to unobserved variables that possess the potential to

exert influence on both the dependent and independent variables. By addressing endogeneity, we aim to ensure that our analysis accurately captures the relationships under investigation and provides a sound foundation for our research findings.

In the second stage, we conducted a test to examine the relationship between ISBPH.D.EDU and MARCAP while accounting for potential endogeneity. The coefficient yielded from this analysis is 0.163, with a corresponding t-statistic of 2.11. The test results unequivocally demonstrate that the educational level of the Sharia Supervisory Board has a positive impact on market capitalisation. To ensure the robustness of our findings and address the potential issue of endogeneity that could distort the results of the primary analysis, we employed a two-stage least squares approach. This methodological choice was instrumental in mitigating the impact of endogeneity and enhancing the reliability of our conclusions.

5. Conclusion

This study investigates the relationship between the educational background of Sharia Supervisory Board members and the level of market capitalisation, which is moderated by banking growth. The study results show that there is a positive relationship between the educational background of members of the Sharia Supervisory Board and the level of market capitalisation. In addition, banking growth also strengthens the relationship between educational background and market capitalisation levels. Therefore, these findings strengthen previous research with consistent results, deepening our understanding of the factors that influence market capitalisation in the context of Islamic banking. The results of this study open the door to a deeper understanding of the role of education in the Sharia Supervisory Board in the context of Islamic banking market capitalisation. The findings show that Sharia Supervisory Board members with a higher educational background have a positive impact on market capitalisation, highlighting the importance of competency and technical knowledge in Sharia supervision. Furthermore, these findings also underline the important role of banking growth as a moderating factor. Strong growth in the banking sector can strengthen the positive impact of the Sharia Supervisory Board's educational background on market capitalisation. This shows that a rapidly developing economic environment can better support the positive influence of the educational background of the Sharia Supervisory Board.

This study makes a significant contribution to the development of literature in the field while providing practical guidance for stakeholders. This research not only increases our understanding of the relationship between Sharia Supervisory Board educational background, market capitalisation, and banking growth but also provides a solid foundation for best practices in the Islamic banking industry. These findings can provide valuable guidance to decision-makers in the Islamic banking industry, helping them make more informed and strategic decisions. Apart from that, this research can also make a positive contribution to efforts to improve the quality of Sharia supervision and the growth of the Sharia banking sector as a whole. Thus, this study is not only meaningful for the development

of academic knowledge but also brings real benefits to stakeholders and practitioners in the field.

The main limitation of this study lies in the limited sample coverage, which is only to countries in the Middle East and North Africa (MENA) region. Due to these limitations, the results of this research may not be directly applicable to the context of Islamic banking in other regions outside MEAN. Therefore, further research is needed that includes samples from various regions to validate these findings and expand understanding of the relationship between the educational background of the Sharia Supervisory Board, market capitalisation, and banking growth in a broader context. In addition, this study may also have other factors that influence market capitalisation that are not considered in this analysis. Therefore, a deeper understanding of other factors that may influence these results is needed. Recognising these limitations, future research can provide more comprehensive and general insight into this topic by involving a broader sample and looking at additional relevant aspects.

Acknowledgements

This research is partly funded by the Faculty of Islamic Economics and Business, State Islamic University of Salatiga, Indonesia.

Authors' Declaration

Authors' contributions and responsibilities

The authors made substantial contributions to the conception and design of the study. The authors took responsibility for data analysis, interpretation and discussion of results. The authors read and approved the final manuscript.

Funding

No funding information from the authors.

Availability of data and materials

All data are available from the authors.

Competing interests

The authors declare no competing interest.

Additional information

No additional information from the authors.

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