JURNAL ANALISIS BISNIS EKONOMI

Jurnal Analisis Bisnis Ekonomi
Vol. 23 No. 1 (2025) pp. 53-65
pISSN: 1693-5950 | eISSN: 2579-647x
Journal Homepage: http://journal.ummgl.ac.id/index.php/bisnisekonomi

UNIMMA journal

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

Check for updates

Submitted: 20/04/2025 Revised: 01/06/2025 Accepted: 30/06/2025

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

Abstract

Market Capitalisation is an important market indicator of a company's share price. This study aims to analyse the role of banking growth in the relationship between the educational background of the 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 methods used are 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 insights to consider in establishing an Islamic supervisory board with a high educational background, so that investor confidence in choosing their investments is more substantial. These findings show the importance of governance, transparency, and responsibility in an Islamic supervisory board, ensuring its knowledge is appropriate to its field.

Kata kunci:
ISB Education; Market Capitalisation; 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 a vital 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 Capitalisation is a vital component in the modern economy, enabling companies to raise funds from investors through stock offerings and 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 a public company's value (Șerban 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 challenge in achieving this goal, as 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. A critical 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 greater trust and confidence in companies that operate in accordance 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 broader range of investors, including those specifically seeking investments aligned with Islamic religious values, thereby increasing demand for company shares and, in turn, 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 engage in activities considered haram (not in accordance with Islamic principles), such as alcohol, gambling, or industries related to usury. This can help reduce reputational and legal risks that can affect a company's market value.

Recent studies show a negative relationship between ISB frequency and Islamic bank performance. This is due to high costs resulting from 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 demonstrate efficiency in producing decisions (Baklouti, 2020). On the other hand, SSB independence has a positive and significant effect on Islamic banking performance. This is due to the SSB's lack of internal operational supervision, which is to be taken over by management. On the other hand, SSB independence will improve the quality and volume of disclosures, thereby increasing transparency of accounting information and reducing the asymmetry in the data provided to investors.

Given the inconsistencies, there is still little direct research on market capitalisation, but there is extensive research in other contexts. Previous research on the influence of ISB characteristics on market capitalisation is an interesting topic and warrants further study in the context of this research. The latest study by Al-Mubarak et al. (2021) argues that the characteristics of the supervisory board significantly influence the expansion of market capitalisation. This research highlights the variables in characteristics that have a significant impact on market capitalisation.

This research aims to examine the impact of supervisory board characteristics on the market capitalisation of 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 aims to expand 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 effects 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 helpful 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 concerns a group of people who influence and are influenced by one another to achieve goals with two-way responsibility, including community and business stakeholder groups (Freeman et al., 2010). Stakeholder Theory in strategic management strengthens relationships among interest groups, enabling them to be more competitive while maintaining accountability. In the context of modern business, market capitalism has a long-term strategy in support of the sustainability of company development by prioritising various parties that influence and are influenced by one another to achieve the right balance in the long term.

2.2. Hypothesis Development

The Islamic supervisory board, with its primary role of monitoring, ensures that the economic and non-economic activities of Sharia banks are conducted in accordance with the principles of Sharia in that financial reports are transparent in of high quality (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 Rustriani's (2010) research, 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: greater implementation of the Islamic supervisory board will improve the quality of financial reporting, thereby increasing market capitalisation**. An Islamic supervisory board with a PhD degree has a positive effect on market capitalisation**

The Islamic supervisory board functions in supervise and provide advice to the directors, ensuring that management activities run according to the rules while still prioritising transparency (Astuti, 2015). ISB ensures that Sharia Bank's performance increases with quality and sustainability guarantees ISB ensures 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 overall assessment, which 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 development of a company's assets is vital to its market capitalisation. The Islamic supervisory board functions as a supervisor and guardian 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. 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. Method

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 winsorisation 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 1 shows the results of sample selection criteria using purposive sampling with the following equation:

$$MARCAP = \beta\_0 + \beta\_1\, ISBPHDEDU + \beta\_2\, BSIZE + \beta\_3\, ROA + \beta\_4\, DAR + \beta\_5\, INTAN + \beta\_6\, CURRENT + \beta\_7\, GROWTHTA + \beta\_8\, LV + \beta\_9\, PPE + e$$

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

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 extraneous factors do not influence observed relationships and that these relationships can be accurately attributed to the variables of primary interest.

Table 2: Measurement Variables

Variable Name	Definition	Measurement
Dependent variable		
MARCAP	Market capitalisation	
Independent variable		
ISBPHDEDU	Islamic supervisory board with Ph.D. degree.	The total number of ISB with PhD 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. Result and Discussion

The initial phase of this analysis involves providing a comprehensive description of the variables to assess the data distribution, as presented in Table 1. This preliminary step offers insights into the data's characteristics and patterns, laying the foundation for subsequent statistical analysis.

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

	Mean	Median	Minimum	Maximum	SD
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

Based on the data processing results in Table 3, the average Market Capitalisation of Islamic Banking in MENA is 1.134, with a minimum of 3.360 and a maximum 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 4: Pearson Correlation

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

		[5]	[6]	[7]	[8]	[9]	[10]
[5]	BOARDSIZE	1.000					
[6]	FIRMSIZE	0.507***	1.000				
		(0.000)					
[7]	ROA	0.076	0.059	1.000			
		(0.269)	(0.387)				
[8]	DAR	0.107	0.286***	-0.333***	1.000		
		(0.118)	(0.000)	(0.000)			
[9]	INTAN	-0.098	-0.020	-0.022	-0.045	1.000	
		(0.153)	(0.774)	(0.745)	(0.509)		
[10]	PPE	0.119*	0.203***	0.165**	0.235***	-0.170**	1.000
		(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 PhD 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 PhD 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 capitalisation. Notably, the correlations among other variables that have yielded significant results do not indicate multicollinearity. 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 Result

	(1) MARCAP	(2) MARCAP	(3) 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 PhD 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 levels of education, 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 investors consider, so increasing it requires strong governance from a high-quality supervisory board. The same research conducted by Mohamed and Elewa (2016) also found 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 faces different problems.

Research by Mulyono et al. (2018) shows that implementing an Islamic supervisory board has a positive effect on market capitalisation because Islamic supervisory board governance is increasingly developing, thereby advancing banking. This is supported by Coombes and Watson's (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 importance of governance in Sharia banking, particularly in supervising the Sharia financial system. Investors in Sharia banking in MENA exhibit heightened awareness of their investments and 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, integrated knowledge in the field, instilling confidence in investors. Investors tend to be more assured and confident in their investment decisions when they see 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 PhD and Market Capitalisation moderated by bank growth

The findings presented in the table above suggest a noteworthy relationship: the presence of highly educated Islamic Supervisory Board members is positively associated with the growth of Sharia banks in the MENA region. This synergy has a substantial impact on the increase in Sharia banking market capitalisation, as indicated by a p-value of less than 0.05. A considerable increase in bank assets indicates robust growth and financial strength. High asset levels make it easier for banks to secure funding, which in turn enhances investor confidence in depositing 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 consider. 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 development 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 asset growth acting as a pivotal moderating factor.

Table 6: Heckman (1979)-two-stage least squares

	(1) ISBEDU		(1) MARCAP	(2) MARCAP	(3) 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
Pseudo. 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 biased results in our research. Endogeneity, in this context, refers to unobserved variables that can influence 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 positively affects market capitalisation. To ensure the robustness of our findings and address potential endogeneity that could distort the primary analysis, we employed a two-stage least squares approach. This methodological choice was instrumental in mitigating endogeneity and enhancing the reliability of our conclusions.

5. Conclusion

This study investigates the relationship between the educational backgrounds of Sharia Supervisory Board members and the level of market capitalisation, moderated by banking growth. The study results show a positive relationship between the academic backgrounds 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 enhance 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 critical 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 academic 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 deepens our understanding of the relationships among 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 tangible benefits to stakeholders and practitioners in the field.

The main limitation of this study is in limited sample coverage, which is restricted 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 areas 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 the different factors that may affect these results is needed. Recognising these limitations, future research can provide more comprehensive and general insights into this topic by involving a broader sample and examining additional relevant aspects.

ACKNOWLEDGEMENT

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

References

Al-Mubarak, M. A. R., Iman, N., & Hariadi, F. W. (2021). Rekonstruksi Undang-Undang Nomor 23 Tahun 2011 Tentang Pengelolaan Zakat (Analisis Hukum Ekonomi Syariah. *Musyarakah: Journal of Sharia Economics (MJSE*, *1*(1). https://doi.org/10.24269/mjse.v1i1.4166.

Alarussi, A. A. A. (2023). *Determinants of market capitalisation : The case of Malaysian companies* (Vol. 22, Issue 05, pp. 334–352,). https://doi.org/10.37896/YMER22.05/30.

Alsartawi, A. M. (2019). Performance of Islamic banks: Do the frequency of Sharīʿah supervisory board meetings and independence matter? *ISRA International Journal of Islamic Finance*, *11*(2), 303–321. https://doi.org/10.1108/IJIF-05-2018-0054.

Astuti, R. Y. (2015). Analisa Kinerja Dewan Pengawas Syariah di Bank Syariah. *Al Tijarah*, *1*(2). https://doi.org/10.21111/tijarah.v1i2.955.

Azhar, M. E., Yudha, S. F., Sugianto, & Muda, I. (2022). Supervision Effectiveness, DPS Deep Sharia Governance and Guarantee in Sharia Banking in Indonesia. *Best Journal of Administration and Management*, *1*(1). https://doi.org/10.56403/bejam.v1i1.22.

Baklouti. (2020). Is the Sharia supervisory board a friend or an enemy of Islamic banks?

Journal of Islamic Marketing, *13*(2), 526–541. https://doi.org/10.1108/JIMA-04-2020-0118.

Coombes, P., & Watson, M. (2000). *Three surveys on corporate governance*.

Dias, A. (2013). Market Capitalisation and Value-at Risk. *Journal of Banking & Finance*, *37*(12), 5248–5260. https://doi.org/10.1016/j.jbankfin.2013.04.015.

Fernando, J. (2022). Market Capitalisation: How Is It Calculated and What Does It Tell Investors?*Investopedia*.https://www.investopedia.com/terms/m/marketcapitalizationasp

Freeman, R. E., Harrison, J. S., Wicks, A. C., Parmar, B., & de Colle, S. (2010). Stakeholder theory: The state of the art. *Stakeholder Theory: The State of the Art*, 1–343. https://doi.org/10.1017/CBO9780511815768

Ginena, K., & Hamid, A. (2015). *The Sharīʻah Supervisory board, in Foundations of Sharīʻah Governance of Islamic Banks*. John Wiley and Sons, Ltd. https://doi.org/10.1002/9781119053507.

Grassa, R. (2015). Shariah supervisory systems in Islamic finance institutions across the OIC member countries: An investigation of regulatory frameworks. *Journal of Financial Regulation and Compliance*, *23*(2). https://doi.org/10.1108/JFRC-02-2014-0011.

Hartini, S., Rosyadi, A. R., & Nurhayati, I. (2021). Supervision Of The Sharia Supervisory Council (Dps) Against Sharia Banks In Realising A Healthy Banking System In Indonesia. *Jurnal Hukum De'rechtsstaat*, *7*(1). https://doi.org/10.30997/JHD.V7I1.3308.

Hassan, M., Ijaz, M. S., & Khan, M. H. (2021). Bank competition–stability relations in Pakistan: A comparison between islamic and conventional banks. *International Journal of Business and Society*, *22*(2), 532–545. https://doi.org/10.33736/ijbs.3733.2021

Heckman, J. J. (2013). Sample selection bias as a specification error. *Applied Econometrics*, *31*(3). https://doi.org/10.2307/1912352.

Iskandar, R., Azis, M., & Rahmat, N. (2019). Vaic mediated by financial performance and GCG increases stock prices—International *Journal of Scientific and Technology Research*, *8*(12).

Malik, S. U. (2012). Relationship between Corporate Governance Score and Stock Prices: Evidence from KSE-30 Index Companies. International Journal of Business & Social Science, 3(4). http://proxy1.ncu.edu/login?url=http://search.ebscohost.com/login.aspx?

Mohamed, W. S., & Elewa, M. M. (2016). The Impact of Corporate Governance on Stock Price and Trade Volume. *International Journal of Accounting and Financial Reporting*, *6*(2). https://doi.org/10.5296/ijafr.v6i2.9757.

Mongid, A. (2015). Liquidity risk management in the Islamic rural banking: Evidence from Indonesia. *Banks and Bank Systems*, *10*(3).

Mueller, S. C., Bakhirev, A., Böhm, M., Schröer, M., Krcmar, H., & Welpe, I. M. (2017). Measuring and mapping the emergence of the digital economy: a comparison of the market capitalisation in selected countries. *Digital Policy, Regulation and Governance*, *19*(5). https://doi.org/10.1108/DPRG-01-2017-0001.

Mulyono, M., Suprapto, A. T., & Prihandoko, D. (2018). The Effect of Corporate Governance and Firm Performance on Stock Price: An Empirical Study on Indonesia Stock Exchange. *Binus Business Review*, *9*(1). https://doi.org/10.21512/bbr.v9i1.1916.

Nomran, N. M., Haron, R., & Hassan, R. (2014). Shari'ah supervisory board characteristics and their effects on Islamic banks' performance: evidence from Malaysia. *International Journal of Bank Marketing*. https://doi.org/10.1108/IJBM-12-2016-0197.

Ojeka, S. A., Iyoha, F. O., Ikpefan, O. A., & Osakwe, C. (2017). Does the 2011 reformed code of corporate governance enhance the market performance of firms in Nigeria? *International Journal of Economic Perspectives*, *11*(1).

Omodero, C. O. (2020). Capital Market Determinants and Market Capitalisation in Nigeria. *International Journal of Financial Research*, *11*(1). https://doi.org/10.5430/ijfr.v11n1p462.

Putri, S. A., Azwardi, & Sa'adah. (2020). Impact of intellectual capital, profitability and dividend on market capitalisation. *Finance: Theory and Practice*, *24*(3). https://doi.org/10. 26794/2587-5671-2020-24-3-174-182.

Quoc, A. N., & My, S. T. (2023). Bank Capital and Bank Profitability of Vietnam Commercial Banks. *International Journal of Business and Society*, *24*(1), 56–65. https://doi.org/10. 33736/ijbs.5601.2023

Retno, R. D., & Priantinah, D. (2012). Pengaruh Good Corporate Governance Dan Pengungkapan Corporate Social Responsibility Terhadap Nilai Perusahaan (Studi Empiris Pada Perusahaan Yang Terdaftar Di Bursa Efek Indonesia Periode 2007-2010. *Nominal, Barometer Riset Akuntansi Dan Manajemen*, *1*(2). https://doi.org/10.21831/ nominal.v1i2. 1000.

Rustiarini, N. W. (2010). Pengaruh Corporate Governance Pada Hubungan Corporate Social Responsibility Dan Nilai Perusahaan. *Simposium Nasional Akuntansi XII*.

Șerban, R. A., Mihaiu, D. M., & Țichindelean, M. (2022). Environment, Social, and Governance Score and Value Added Impacts on Market Capitalisation: A Sectoral-Based Approach. *Sustainability (Switzerland*, *14*(4). https://doi.org/10.3390/su14042069.