

## Islamic Religiosity, Corporate Governance, and Sustainability Performance: A Systematic Literature Review

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### Abstract

This study aims to synthesize the development of research on the relationship among Islamic religiosity, corporate governance, and sustainability performance through a systematic literature review approach. This topic is important because sustainability in sharia-based entities cannot be explained solely through formal governance mechanisms, such as the board of commissioners, audit committee, board of directors, or Shariah Supervisory Board; it must also be understood through moral values, Islamic ethics, and spiritual accountability. This study applies a PRISMA-based SLR approach by selecting articles from Scopus and Sinta databases. From 105 initial articles, 30 relevant articles were selected for analysis. The findings show that Islamic religiosity functions as an informal control mechanism that encourages trustworthiness, honesty, justice, and responsibility in business decision-making. Corporate governance serves as a formal mechanism to supervise and direct organizations toward greater transparency, accountability, and sustainability orientation. However, the literature also indicates that the influence of Islamic corporate governance on sustainability performance is not always consistent. This suggests that sharia governance should not stop at administrative compliance; it must be directed toward substantive governance oriented to maqasid al-Shariah. This study contributes theoretically by integrating Agency Theory, Stakeholder Theory, Legitimacy Theory, Institutional Theory, and Maqasid al-Shariah in explaining sustainability accountability in sharia-based entities.

### Keywords

Corporate Governance, Islamic Religiosity, Islamic Corporate Governance, Maqasid Al-Shariah, Sustainability Performance.



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## INTRODUCTION

The development of sustainability accounting research indicates an important shift from reporting that is purely financial in orientation toward reporting that includes economic, social, environmental, and governance dimensions. This shift has become stronger because companies, particularly sharia-based entities, are not only required to generate profit but also to maintain social legitimacy, environmental sustainability, and ethical accountability to stakeholders. In the Islamic context, these demands have a stronger

normative foundation because business activity is viewed as an amanah that must be accounted for horizontally to human beings and vertically to Allah SWT.

The topic of Islamic religiosity, corporate governance, and sustainability performance is important because these three concepts represent three layers of organizational control. First, Islamic religiosity operates in the domain of individual and managerial values and moral awareness. Second, corporate governance operates in the domain of structures, procedures, and formal supervisory mechanisms. Third, sustainability performance reflects organizational outcomes that are visible in sustainability practices, ESG/ISR disclosure, green banking, socio-environmental performance, and financial sustainability. Thus, the relationship among these variables cannot be understood in a simplistic manner; it is more appropriately read as a relationship among values, structures, and performance.

Previous studies show an increasingly rich direction of findings Almarayeh & Aibar-Guzmán, (2025) show that religious values may influence the effectiveness of formal corporate governance rules in limiting earnings management in Islamic countries. This finding is important because it indicates that formal governance mechanisms may become weak when they are not aligned with prevailing social and religious norms Sari et al., (2025) also emphasize that Islamic religiosity in the top management team can reduce earnings management practices because the values of amanah, sidq, adl, taqwa, and spiritual accountability function as an informal monitoring mechanism.

In the field of sustainability Zafran, (2025) shows that intrinsic and extrinsic religiosity are associated with Muslim sustainability behavior, although their effects are not always uniform across every dimension of environmental behaviour Sabir et al., (2025) even find that the relationship between religion and environmental behavior still relies on diverse theories and lacks consistent measurement of religiosity. This indicates broad theoretical space for explaining how Islamic religiosity can become a driver of sustainability performance, rather than merely a symbolic religious identity.

With respect to corporate governance, Muneer et al., (2025) find that environmental disclosure and governance structures, particularly environmental boards and sustainability committees, can strengthen the financial sustainability of Islamic banks Wijayanti & Setiawan, (2022) show that the Shariah Supervisory Board affects Islamic social reporting and has implications for firm performance. Jan et al., (2019) affirm that sustainable business practices are related to the financial performance of Islamic banks, and that this relationship can be strengthened by Islamic corporate governance. These findings demonstrate that governance can serve as an institutional pathway that transforms sustainability values into measurable performance.

Nevertheless, the literature also produces contradictions So et al., (2021) find that Islamic corporate governance, in several models, has a negative effect on sustainability reporting disclosure Nilasakti & Falikhatun, (2020) also find that the Shariah Supervisory Board has a negative effect on sustainability reporting, whereas board size, audit committee, and slack resources have positive effects. Nastiti & Nuha, (2025) find that Islamic corporate

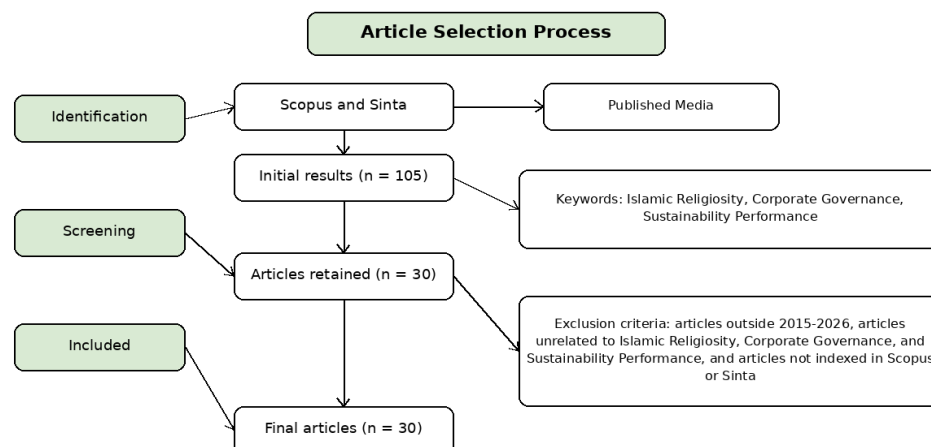
governance has no significant effect on sustainability disclosure. Hilman & Aslamah, (2025) even report that sharia governance negatively affects ESG performance because an overly administrative orientation toward sharia compliance does not necessarily produce a strong sustainability commitment. This inconsistency constitutes the main academic basis for conducting the present study.

Based on the explanation above, this study systematically reviews research on Islamic religiosity, corporate governance, and sustainability performance. The main focus of this study is not merely to collect previous findings, but to examine theoretical logic, map the patterns of relationships among variables, and identify inconsistencies in research findings. The study seeks to answer how Islamic religiosity is conceptualized and linked to sustainability performance, and how corporate governance and Islamic corporate governance influence sustainability performance, sustainability reporting, ESG performance, or Islamic social reporting.

## **METHODS**

The method used in this study is a literature review (Bahoo et al., 2023). This approach was selected because the study examines the theories of Islamic religiosity, corporate governance, and sustainability performance. Through this approach, the researchers did not merely collect relevant articles, but also selected them based on topic suitability, publication quality, connectedness, and contribution to the discussion of Islamic religiosity, corporate governance, and sustainability performance. The systematic literature review in this study follows the PRISMA framework (Preferred Reporting Items for Systematic Reviews and Meta-Analyses), as discussed by Grimshaw et al., (2021) The process is illustrated in Figure 1 to show the path from data searching to the decision-making process for determining the number of articles used in the SLR.

The article collection process was carried out by searching various scholarly publication sources related to Islamic religiosity, corporate governance, sustainability performance, and Islamic values in accounting practice. At the initial stage, the researchers obtained 105 journal articles considered to have an initial relationship with the research topic. All articles were then selected gradually by considering the relevance of their titles, abstracts, keywords, discussion content, and alignment with the focus of the review. Articles that did not have a direct relationship with social disclosure theory or did not adequately discuss Islamic accounting perspectives were not included in the analysis.

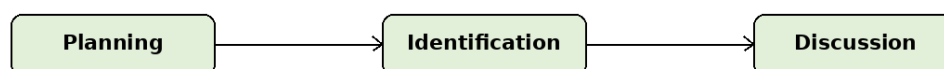


**Figure 1. PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses)**

Source: Processed by the authors, 2026

Each article was coded based on year, index, research variables, publishing journal, findings, research method, theory used, and relevance to the topic. The process was conducted in four stages. First, the main theme of each article was identified. Second, the articles were classified into the clusters of Islamic religiosity, corporate governance, sustainability performance, and the integration of the three. Third, a cross-reading of the theories used in the articles was performed. Fourth, research gaps, contradictions, and future research agendas were drawn.

The inclusion criteria were as follows: articles had to discuss at least one of the three variables, namely Islamic religiosity, corporate governance, or sustainability performance/ESG/ISR; have direct or indirect relevance to sharia entities, Islamic banking, sharia companies, or Islamic organizations; provide information on findings and theoretical foundations; and be published in journals indexed by Scopus or Sinta. Articles discussing general sustainability without a connection to Islam and governance were not used as the main analytical sources, except when they were useful as methodological or theoretical references.



**Figure 2. Stages of the Systematic Literature Review**

Source: Processed by the authors, 2026

## FINDINGS AND DISCUSSION

### Findings

Based on the reviewed literature, the articles can be divided into five main groups. The first group discusses Islamic religiosity and Islamic ethics as drivers of ethical behavior and sustainability. The second group discusses Islamic corporate governance and sharia governance, particularly the role of the Shariah Supervisory Board. The third group discusses sustainability reporting, Islamic social reporting, ESG disclosure, and green

banking. The fourth group examines sustainability performance and financial sustainability as outcomes. The fifth group consists of SLR and conceptual articles that provide theoretical foundations, such as maqasid al-Shariah, SDGs, stakeholder engagement, and theories on the relationship between religion and the environment.

### **Islamic Religiosity as an Informal Control Mechanism**

One important contribution of the literature is the positioning of Islamic religiosity as an informal control mechanism. From the perspective of Agency Theory, formal control is needed because human beings have opportunities to act opportunistically when information is asymmetrical. From the Islamic perspective, however, managerial behavior is also controlled by spiritual awareness. The value of amanah requires management to manage resources responsibly; sidq requires honesty in disclosure; adl requires fairness in relationships with stakeholders; and taqwa places business decisions within a horizon of accountability.

The study by Almarayeh & Aibar-Guzmán, (2025) is important because it shows that formal governance rules may be ineffective when they are not understood within the context of religious and social norms. This serves as a critique of the direct transfer of Western corporate governance mechanisms to Islamic countries without adapting them to local values. At the same time, A. R. Sari et al., (2025) strengthen the view that Islamic religiosity in the top management team can reduce opportunistic reporting practices. Although the outcome in that study is earnings management, the logic can be extended to sustainability reporting: substantively religious management should not use sustainability reports merely as cosmetic instruments of legitimacy.

Zafran, (2025) adds a behavioral dimension by showing that religiosity can encourage sustainability behaviors among Muslim consumers. However, the finding that extrinsic religiosity is not always significant for environmental concern provides a methodological warning: socially symbolic religiosity does not automatically produce environmental behavior. Therefore, future research must distinguish between intrinsic and extrinsic religiosity, and between religiosity as identity and religiosity as a value system that guides decision-making.

### **Corporate Governance: From Formal Structure to Substantive Governance**

Corporate governance in the literature is no longer limited to board size or the proportion of independent commissioners. In sharia-based entities, corporate governance includes the Shariah Supervisory Board, sharia compliance, audit committee, board expertise, cross-membership, sustainability committee, environmental board, and maqasid-based governance. Mukhibad et al., (2022) show that SSB attributes such as cross-membership and expertise in economics, finance, or accounting can improve sharia compliance, whereas a larger SSB size is not always better. This means that governance quality is more important than the quantity of structures.

Lestari et al., (2025) identify five elements of Islamic corporate governance: shariah

board governance, management and board governance, audit and risk governance, sustainable governance, and Muslim management and board governance. This classification is important because it shows that ICG must be viewed as a multidimensional system, not merely as the existence of a DPS/SSB. Franzoni & Ait Allali, (2024) expand the discussion of Islamic bank governance by examining the protection of participatory depositors. They show that participatory depositors bear profit-and-loss-sharing risk, but have limited space for supervision. The implication for sustainability is that sharia governance must guarantee fairness, representation, and stakeholder protection, not merely ensure that products comply with contracts.

### **Sustainability Performance: Between Reporting and Substantive Performance**

In the literature, sustainability performance appears in various forms: sustainability reporting disclosure, Islamic social reporting, ESG performance, financial sustainability, green banking, sustainable practices, and sustainability performance indices. This diversity enriches the literature but also creates conceptual problems. Many studies still use sustainability disclosure as a proxy for sustainability performance. Methodologically, this must be criticized because disclosure indicates the level of reporting, whereas performance indicates actual achievement.

Wijayanti & Setiawan, (2022) show that the SSB has a positive effect on Islamic social reporting and that ISR can improve market-based performance in the long term, although it may reduce ROA in the short term. Jan et al., (2019) find that sustainable business practices are positively related to the financial performance of Islamic banks, especially when strengthened by sharia governance and managerial ownership. (Peng & Isa, (2020) also show that ESG practices in sharia-compliant companies improve firm performance and support Stakeholder Theory. Puspitasari & Kasri, (2023) even show that the Shariah Supervisory Board has a significant positive effect on sustainability performance in Indonesian Islamic banks.

However, several studies provide serious warnings. So et al., (2021) find that Islamic corporate governance in certain models has a negative effect on sustainability reporting disclosure. Similarly, Nilasakti & Falikhatun, (2020) find that the SSB has a negative effect on sustainability reporting, whereas audit committee and slack resources have positive effects. Nastiti & Nuha, (2025) also find that ICG is not significant for sustainability disclosure. Hilman & Aslamah, (2025) find a negative effect of sharia governance on ESG performance. This contradictory pattern indicates that the symbol of sharia governance does not necessarily produce sustainability performance unless it is integrated with strategy, competence, resources, and maqasid orientation.

### **Mechanisms of Relationships among Variables**

Based on the synthesis of the literature, the relationship among Islamic religiosity, corporate governance, and sustainability performance can be explained through three mechanisms. First, the moral-intentional mechanism means that Islamic religiosity shapes

ethical intentions, moral preferences, and managerial responsibility orientation. In this mechanism, intrinsic religiosity is more likely to encourage sustainability than religiosity that is merely symbolic or extrinsic. Second, the structural-monitoring mechanism means that corporate governance transforms ethical values into procedures, supervision, and organizational decisions. Islamic religiosity without governance structures risks remaining a personal value that does not enter the organizational system. Conversely, governance without religiosity risks becoming administrative compliance without substance. Therefore, the integration of both is necessary. Third, the disclosure-performance mechanism means that governance and religiosity encourage disclosure practices and/or sustainability performance. Research must distinguish sustainability disclosure from sustainability performance. Disclosure can serve as a medium of accountability, but it can also become an instrument of symbolic legitimacy. Substantive performance should be assessed through economic, social, environmental, and religious/maqasid indicators, as developed in maqasid al-Shariah-based indices and the quadruple bottom line by Mohd Zain et al., (2025) and (Hamidi & Worthington, 2021).

The discussion of Islamic religiosity, corporate governance, and sustainability performance still reveals a substantial conceptual gap between sustainability disclosure and sustainability performance. Many researchers measure sustainability through disclosure indices, even though disclosure is not necessarily equivalent to performance. Future research needs to combine disclosure indicators with outcome indicators, such as emissions, energy efficiency, green financing, social impact, stakeholder satisfaction, and maqasid achievement.

The measurement of Islamic religiosity is not yet consistent. Some studies measure religiosity through intrinsic and extrinsic orientation, some through Islamic ethics, and others through the existence of the SSB or sharia identity. This ambiguity risks mixing religiosity with institutional identity. Future research should distinguish personal religiosity, managerial religiosity, Islamic organizational culture, and Islamic corporate governance.

The quality of sharia governance cannot be adequately represented by the number of SSB members. Several studies show that SSB size is insignificant or even negative. Stronger indicators include multidisciplinary competence, meeting frequency, independence, controlled cross-membership, ESG expertise, sustainability accounting literacy, and involvement in sustainability strategy.

The relationship among Islamic religiosity, corporate governance, and sustainability performance is indirect. Green banking, sustainability awareness, Islamic social reporting, ESG disclosure, and financial performance can serve as mediators. Meanwhile, regulation, firm size, profitability, slack resources, and SSB quality can serve as moderators.

The literature is still dominated by Islamic banks and Islamic financial institutions. Research on sharia non-financial companies, halal manufacturing, halal food industries, energy, sharia mining, Islamic education, and Islamic philanthropy still needs to be strengthened.

## CONCLUSION

This study concludes that Islamic religiosity, corporate governance, and sustainability performance are three mutually complementary components for explaining sustainability accountability in sharia-based entities. Islamic religiosity functions as a moral foundation and an informal governance mechanism; corporate governance functions as a formal mechanism that directs and supervises organizational decisions; and sustainability performance indicates the extent to which those values and structures generate real economic, social, environmental, and religious impacts. The study shows that the relationship between Islamic corporate governance and sustainability performance is not fully consistent. Some studies show positive effects, while others show negative or insignificant effects. This inconsistency is not merely a weakness of the literature; it is an important entry point for future research. Sharia governance must be distinguished between symbolic, compliance-oriented governance and substantive, maqasid-oriented governance. Therefore, future research agendas need to examine the quality, not merely the existence, of Islamic corporate governance mechanisms.

The theoretical implication of this study is the need to integrate Agency Theory, Stakeholder Theory, Legitimacy Theory, Institutional Theory, and Maqasid al-Shariah in Islamic sustainability accounting research. Practically, sharia-based companies need to strengthen the competence of the SSB, audit committee, sustainability committee, and ESG/ISR disclosure so that governance does not stop at formality but truly produces measurable and equitable sustainability performance.

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