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# Maqashid sharia and corporate sustainability under financial vulnerability

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**ABSTRACT**

This study examines the effect of CSR, Islamic CSR, and environmental quality on corporate performance, measured by profitability and growth, with financial vulnerability as a moderating variable. This research will conduct with Moderated Regression Analysis of panel data from 108 observations basic material entities achieving PROPER on 2021-2024 by Ministry of Environment and Forestry of Indonesia Republic, which Islamic CSR is measured using a GRI-Maqasid Index, CSR using the GRI Standards 2021, and financial vulnerability with DER, use EViews 13. The results show that CSR and Islamic CSR positively affect profitability but do not significantly firm growth. In contrast, environmental quality negatively affects short-term profitability yet supports growth. Financial vulnerability moderates these relationships by weakening the profitability effects of CSR and ICSR, while also reducing the positive influence of environmental quality on corporate growth. The findings highlight aligning ethical, social, and environmental strategies grounded in *Maqasid Sharia* with financial conditions to sustain long term corporate performance. This study compares Islamic CSR and CSR in a single framework, using profitability and growth as well as financial vulnerability, revealing the role of ethical orientation and financial constraints on long term corporate performance.



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## 1. INTRODUCTION

Global developments in corporate governance indicate a shift from a purely financial orientation toward sustainability that integrates social, ethical, and environmental responsibilities into business activities (Aydoğmuş et al 2022; Yavuz et al 2025). This shift is driven by heightened stakeholder awareness, global sustainability agendas, and stricter regulatory pressures, particularly in environmentally sensitive industries (Naeem et al, 2022; Wu and Zhu 2024). Consequently, corporate performance is increasingly viewed as a multidimensional concept encompassing profitability and growth (Sabrina et al., 2025; Usman et al., 2025). Empirical evidence from Indonesia's basic materials sector during 2021–2024 shows substantial volatility in these indicators. As illustrated in Figure 1, profitability and growth do not move consistently across periods, indicating that corporate performance is shaped not only by internal financial factors but also by ethical orientation and sustainability related practices, while prior empirical findings remain mixed. CSR based on GRI is

widely found to improve corporate performance in terms of profitability and growth by enhancing reputation, stakeholder trust, and funding efficiency, as well as reducing information asymmetry and non-financial risks (Aydoğmuş et al., 2022; Faturohman et al., 2021; Usman et al., 2025; Yavuz et al., 2025). However, other studies report insignificant or negative effects when CSR costs exceed its economic benefits or when CSR implementation is symbolically without strategic integration (Al Mahmuda & Al-Mukit, 2023; Kamruzzaman & Newaz, 2025; Rosharlianti & Laia, 2025). From the perspective of ICSR prior studies find that CSR grounded in *Maqasid Sharia* positively affects corporate performance by strengthening moral legitimacy, stakeholder trust, and long-term market relationships (Adisaputra, 2021; Amar et al., 2025; Bachtiar & Abdullah, 2025; Melzatia et al., 2025; Saba et al., 2025; Septian et al., 2022). However, other studies report limited short-term financial effects due to high social and compliance costs and the long-term orientation of ICSR practices (Mahmuda & Al-Mukit, 2023; Romadhonia & Kurniawati, 2022; Syurmita et al., 2024). In addition, environmental quality measured through indicators such as PROPER ratings also shows inconsistent results, where some studies have found a positive influence on company performance through improved reputation and operational efficiency (Bao & Yu, 2023; Ningrum et al., 2025; Sisdianto et al., 2023; Wu & Zhu, 2024; Wulandari & Akbar, 2025), while other studies show no significant influence in the short term due to high investment costs and environmental compliance (Aydoğmuş et al., 2022; Naeem et al., 2022; Suryadwi & Andayani, 2025). Furthermore, the impact of conventional CSR, Islamic CSR (ICSR), and environmental quality on corporate performance is closely linked to firms' financial conditions (Inayati et al., 2025; Naeem et al., 2022). Financial vulnerability, proxied by the DER, reflects financial pressure that constrains managerial flexibility in allocating resources to sustainability initiatives (Rosharlianti & Laia, 2025; Usman et al., 2025). Under high leverage, CSR and environmental investments may be perceived as cost burdens, weakening their performance effects (Kamruzzaman & Newaz, 2025; Naeem et al., 2022). Conversely, Maqasid Sharia-based ICSR tends to sustain stakeholder trust even under financial pressure (Arsad et al, 2022; Saba et al., 2025).

Despite the growing literature on CSR, Islamic CSR, and environmental quality, prior studies tend to examine these variables separately and often focus on a single dimension of corporate performance, particularly profitability. Moreover, financial conditions are generally treated as control variables rather than as moderating factors that explain the heterogeneity of empirical findings. These limitations contribute to the inconsistent results reported in previous studies regarding the effects of CSR, ICSR, and environmental quality on firm performance. This study addresses these gaps by integrating conventional CSR, ICSR, and environmental quality within a single empirical framework while simultaneously distinguishing corporate performance into profitability and growth dimensions. In addition, financial vulnerability is introduced as a moderating variable to capture the conditional effects of sustainability practices, with firm size included as a control variable. This integrated approach provides a more comprehensive understanding of how ethical orientation, environmental performance, and financial constraints jointly shape corporate performance in emerging markets.

Theoretically, legitimacy theory explains that companies use CSR and environmental performance to gain social acceptance and maintain business sustainability (Aydoğmuş et al., 2022; Inayati et al., 2025). Signaling theory views non-financial disclosures as a signal of company quality in conditions of information asymmetry (Javaid et al., 2025; Yavuz et al., 2025). In the perspective of Maqasid Sharia, business activities are seen as a means of creating benefits that emphasize sustainability, justice, and moral responsibility (Arsad et al, 2022; Dusuki & Abdullah, 2007). The triple bottom line framework and the Sustainable Development Goals reinforce the view that economic, social, and environmental performance must be achieved simultaneously to create long-term value (Aydoğmuş et al., 2022; Wu & Zhu, 2024).

Based on legitimacy and signaling theories, CSR improves corporate performance by reducing regulatory and reputational risks and signaling transparency to investors, lowering capital costs and enhancing ROE (Javaid et al., 2025; Naeem et al., 2022; Yavuz et al., 2025). CSR also strengthens reputation and stakeholder trust, then supports market acceptance and long-term

(Sabrina et al., 2025; Usman et al., 2025). Prior studies document that CSR disclosure enhances profitability and growth through reputation building, risk reduction, and funding efficiency (Aydoğmuş et al., 2022; Faturohman et al., 2021; Javaid et al., 2025). Conversely, other studies report insignificant or negative effects when CSR is symbolic, poorly integrated, or imposes costs exceeding its economic benefits(Al Mahmuda & Al-Mukit, 2023; Kamruzzaman & Newaz, 2025). Therefore, this study proposes the first hypothesis (H1a): Conventional CSR affects corporate performance (profitability), and the second (H1b): Conventional CSR affects corporate performance (growth).

Islamic CSR, grounded in *Maqasid Sharia*, strengthens moral legitimacy and stakeholder trust, reducing conflict risk and improving capital efficiency, thereby enhancing profitability (Arsad et al., 2022; Salimudin & Jubaedah, 2024; Bachtiar & Abdullah, 2025; Septian et al., 2022). Consistent ICSR practices also signal ethical commitment, strengthening reputation, market acceptance, and supporting long-term sales growth (Amar et al., 2025; Saba et al., 2025). Several studies find that ICSR positively affects profitability and growth through trust-based relationships and long-term performance stability (Adisaputra, 2021; Saba et al., 2025; Septian et al., 2022), However, other studies report insignificant short-term effects due to high social and compliance costs or limited strategic integration (Mahmuda & Al-Mukit, 2023; Syurmita et al., 2024). Therefore, this study proposes the third hypothesis (H2a): Islamic CSR affects corporate performance (profitability), and the fourth (H2b): Islamic CSR affects corporate performance (growth).

Environmental quality, measured by PROPER ratings, signals firms' environmental responsibility and governance quality (Ningrum et al., 2025; Sisdianto et al., 2023). Strong environmental performance reduces regulatory and non-compliance risks, improving profitability (Aydoğmuş et al., 2022; Wu & Zhu, 2024). It also signals effective risk management, lowers investor risk perception, and supports long-term sales growth consistent with TBL and SDGs (Bao & Yu, 2023; Naeem et al., 2022). Empirically, a number of studies have found that environmental quality has a positive effect on company performance (Bao & Yu, 2023; Ningrum et al., 2025; Sisdianto et al., 2023; Wu & Zhu, 2024; Wulandari & Akbar, 2025) However, other studies report insignificant short-term effects due to high investment and compliance costs (Aydoğmuş et al., 2022; Naeem et al., 2022a; Suryadwi & Andayani, 2025). Therefore, this study proposes the fifth hypothesis (H3a): Environmental quality affects corporate performance (profitability), and the sixth (H3b): Environmental quality affects corporate performance (growth).

Financial vulnerability, proxied by the debt-to-equity ratio (DER), reflects financial pressure that limits managerial flexibility in allocating resources to non-financial initiatives such as CSR, ICSR, and environmental investments (Inayati et al., 2025; Naeem et al., 2022). From legitimacy and signaling perspectives, sustainability practices help firms maintain social acceptance and signal transparency and governance quality; however, their effectiveness is contingent upon firms' financial conditions (Aydoğmuş et al., 2022; Wu & Zhu, 2024). Under moderate financial pressure, sustainability disclosures can reduce investor risk perception and funding costs, supporting profitability and growth. Conversely, excessive financial vulnerability shifts managerial priorities toward liquidity and debt servicing, causing sustainability initiatives to be perceived as cost burdens that weaken their impact on ROE and sales growth (Bao & Yu, 2023; Javaid et al., 2025; Yavuz et al., 2025; Syurmita et al., 2024; Usman et al., 2025). Empirical evidence documents mixed findings: some studies report that CSR and environmental quality enhance performance under stable financial conditions (Aydoğmuş et al., 2022; Bao & Yu, 2023; Driastuti et al., 2024; Ningrum et al., 2025). While others show that high leverage weakens these effects due to resource constraints and debt prioritization (Al Mahmuda & Al-Mukit, 2023; Kamruzzaman & Newaz, 2025; Rosharlianti & Laia, 2025). Therefore, this study proposes the seventh hypothesizes (H4a): Financial vulnerability moderates the influence of conventional CSR and corporate performance (profitability), the eighth (H4b): Financial vulnerability moderates the influence of conventional CSR and corporate performance (growth), the ninth (H5a): Financial vulnerability moderates the influence of Islamic CSR and corporate performance (profitability), the tenth (H5b): Financial vulnerability moderates the influence of Islamic CSR and corporate performance (growth), the eleventh (H6a): Financial vulnerability moderates the influence of environmental quality and corporate performance

(profitability), and the twelfth (H6b): Financial vulnerability moderates the influence of environmental quality and corporate performance (growth). Thus, the conceptual framework is translated on Figure 1.

## 2. RESEARCH METHOD

This study employs a quantitative approach using descriptive and verificative methods to examine the relationship between sustainability practices and corporate performance within an Islamic ethical perspective. The verificative design enables hypothesis testing on the effects of CSR, Islamic CSR, and environmental quality on corporate performance, with financial vulnerability as a moderating variable and firm size as a control variable. Secondary data are obtained from annual and sustainability reports of basic materials companies listed on the Indonesia Stock Exchange and official company websites for the 2021–2024 period. The basic materials sector is selected because the operational activity highly exposed to environmental risks, regulatory pressures, and sustainability challenges, so it make the context is appropriate to examine the interaction between CSR, Islamic CSR, and environmental quality. The sample is selected using probability cluster sampling based on PROPER ratings issued by the Ministry of Environment and Forestry, resulting in 108 firm-year observations. The availability of PROPER ratings provides a reliable and standardized measure of environmental performance, enhancing the robustness of the analysis. Panel data regression and Moderated Regression Analysis are applied using EViews 13.

Table 1. Operational definition

| Variable | Operational Definition | Indicator |
|---|---|---|
| Corporate Social Responsibility (X1) | CSR disclosure oriented to stakeholder legitimacy and regulatory compliance (Aydoğmuş et al., 2022) | CSR = Total Disclosure/117 Indicator GRI Standard 2021 x 100% |
| Islamic Corporate Social Responsibility (X2) | CSR disclosure reflecting five *Maqasid Sharia* principles (Arsad et al, 2022; Awalia et al., 2025; Dusuki & Abdullah, 2007; Rafiqi et al., 2025) | ICSR = Total Disclosure/88 Indicator GRI Standard 2021 mapped into five *maqashid* x 100% |
| Environmental Quality (X3) | Corporate environmental performance reflecting compliance and impact management (Sisdianto et al., 2023; Wulandari & Akbar, 2025) | Gold = 5; Green = 4; Blue = 3; Red = 2; Black = 1 |
| Corporate Performance (Profitability) (Ya) | Firm's ability to generate returns for shareholders (Naeem et al., 2022a). | ROE = Net Income / Total Equity |
| Corporate Performance (Growth) (Yb) | Firm's expansion and long-term growth capability (Paulus & Tarmidi, 2025; Saba et al., 2025). | Asset Growth = (Total Assetst – Total Assetst–1) / Total Assetst–1. |
| Financial Vulnerability (Z) | Degree of financial stress and reliance on debt financing (Inayati et al., 2025). | DER = Total Liabilities / Total Equity. |
| Firm Size (Control) | Company size by total asset own by company (Wulandari & Akbar, 2025) | Ln(Total Asset) |

*Source: Data processed by researcher, 2026*

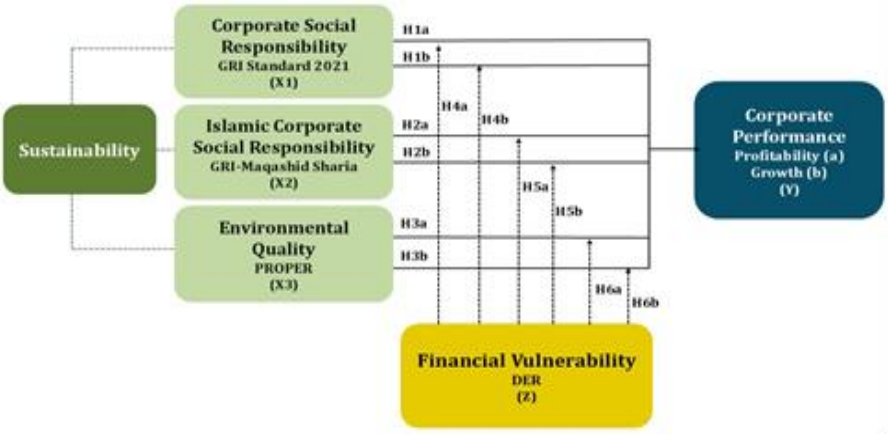


Figure 1. Conceptual framework

Environmental quality is measured using the PROPER rating, treated ordinally from 1 to 5 to reflect the intensity of environmental compliance. Conventional CSR is measured using the GRI Standards 2021 disclosure index, covering 30 indicators of GRI 2 (General Disclosure), 17 indicators of GRI 200 (Economic), 31 indicators of GRI 300 (Environmental), and 36 indicators of GRI 400 (Social). Islamic Corporate Social Responsibility (ICSR) is measured using a GRI–Maqashid Index, which maps 88 selected GRI 2021 indicators into five *maqashid sharia* dimensions: *hifz al-din*, *hifz al-nafs*, *hifz al-'aql*, *hifz al-nasl*, and *hifz al-mal*. This approach translates Islamic ethical objectives into measurable sustainability disclosures, ensuring conceptual consistency and empirical validity (Arsad et al, 2022; Awalia et al., 2025; Dusuki & Abdullah, 2007; Rafiqi et al., 2025; Salimudin & Jubaedah, 2024) illustrated at Figure 2.

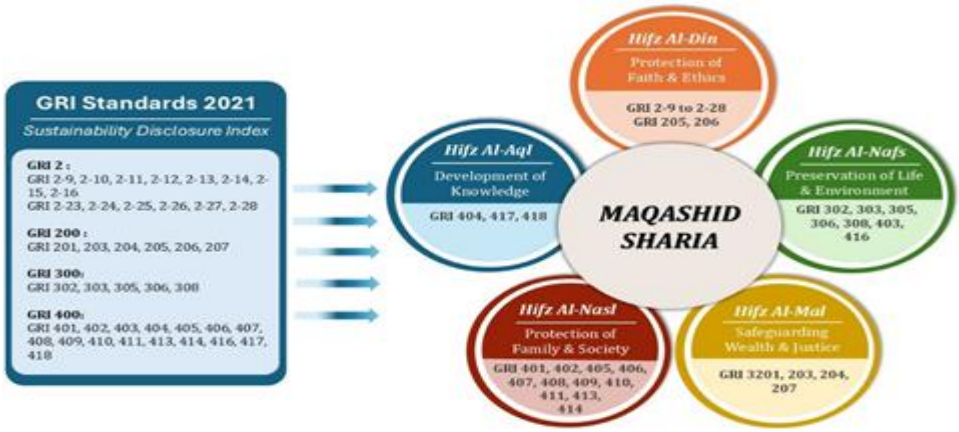


Figure 2. Mapping of GRI standards 2021 into *maqashid sharia* dimensions
*Source: Dusuki & Abdullah (2007), Global Reporting Initiative (2021)*

## 3. RESULTS AND DISCUSSIONS

Table 2. Statistic descriptive

| | Mean | Median | Max. | Min. | SD | Obs. |
|---|---|---|---|---|---|---|
| ROE | 6,330 | 7,116 | 42,026 | -34,106 | 10,741 | 108 |
| GROWTH | 10,490 | 4,815 | 165,755 | -53,786 | 30,954 | 108 |
| CSR | 85,312 | 85,470 | 99,145 | 66,667 | 8,370 | 108 |
| CSRI | 83,849 | 85,227 | 100,000 | 64,773 | 9,399 | 108 |
| EQ | 3,463 | 3,000 | 5,000 | 1,000 | 0,836 | 108 |
| DER | 0,942 | 0,606 | 6,228 | 0,070 | 1,137 | 108 |
| SIZE | 30,038 | 30,063 | 32,880 | 27,639 | 1,483 | 108 |

*Source: Output E-Views 13 (data processed by researchers, 2026)*

Based on Table 2, ROE in the basic materials sector ranges from –34,11% to 42,03% with a mean of 6,33%, which is far below the commonly used profitability benchmark of 15–40%, indicating suboptimal profitability performance (Kasmir, 2020). Sales growth varies widely from –53,79% to 165,76%, with an average of 10,49%, positioning firms at the lower bound of the 10–15% growth benchmark for manufacturing and basic materials industries (Brigham & Houston, 2022). CSR disclosure averages 85,31% and Islamic CSR 83,85%, exceeding the GRI threshold of 80%, suggesting relatively mature reporting practices (Global Reporting Initiative, 2021). Environmental quality shows a mean PROPER score of 3,46, indicating dominance at the "Blue" compliance level, below the "Green–Gold" excellence benchmark (Ministry of Environment and Forestry, 2025). Financial vulnerability, measured by DER, averages 0,94, within the healthy leverage range of 0,5–2,0 (Brigham & Houston, 2022). Firm size, with a mean log asset of 30,04, confirms the dominance of large-scale firms, standard of 14 (Wulandari & Akbar, 2025). The model selection is conducted to determine the most appropriate panel estimations. Here is the result presented in Table 3.

Table 3. Selection panel test

| Model | Testing | Prob. | Sig. | Conclusion | Result |
|---|---|---|---|---|---|
| ROE | Chow | 0,000 | 0,050 | (0,000<0,050) | FEM |
| | Hausman | 0,008 | 0,050 | (0,008<0,050) | FEM |
| | LM | 0,095 | 0,050 | (0,095>0,050) | CEM |
| Growth | Chow | 0,171 | 0,050 | (0,171>0,050) | CEM |
| | Hausman | 0,025 | 0,050 | (0,025<0,050) | FEM |
| | LM | 0,071 | 0,050 | (0,071>0,050) | CEM |

*Source: Output E-Views 13 (data processed by researchers, 2026)*

Based on table 3, The Chow test for ROE shows a cross-section chi-square probability of 0,000 less than 0,05, indicating that the FEM is preferred over the CEM. The Hausman test also yields a probability of 0,008 lower than 0,05, confirming FEM as the most appropriate model for ROE. For growth, the Chow test probability of 0,171 higher than 0,050 suggests CEM over FEM. The Hausman test indicates FEM over REM at 0,025, while the Lagrange Multiplier test favors CEM over REM 0,071. Thus, the CEM is selected for growth. Strong correlation between CSR and CSRI 0,989 which over 0,80, means that may bias coefficient estimates. To address this issue, CSR and CSRI are estimated in separate model specifications (Aydoğmuş et al., 2022). After separation, all remaining variables show correlations below 0,80, no multicollinearity, as presented in Table 4. The heteroscedasticity test also found with results above 0,05, means this study has no heteroscedasticity symptoms.

Table 4. Classic assumption test

| | | Multicollinearity | ROE | CSR | EQ | DER | SIZE | Heteroscedasticity (Breusch-pagan) |
|---|---|---|---|---|---|---|---|---|
| ROE | CSR | ROE | 1,000 | | | | | 0,092 |
| | | CSR | 0,099 | 1,000 | | | | |
| | | EQ | 0,045 | 0,491 | 1,000 | | | |
| | | DER | -0,353 | -0,001 | -0,123 | 1,000 | | |
| | | SIZE | -0,067 | 0,435 | 0,465 | 0,229 | 1,000 | |
| | | | ROE | ICSR | EQ | DER | SIZE | |
| | ICSR | ROE | 1,000 | | | | | 0,1281 |
| | | CSRI | 0,134 | 1,000 | | | | |
| | | EQ | 0,046 | 0,418 | 1,000 | | | |
| | | DER | -0,353 | -0,001 | -0,123 | 1,000 | | |
| | | SIZE | -0,068 | 0,363 | 0,466 | 0,229 | 1,000 | |
| | | | GROWTH | CSR | EQ | DER | SIZE | |
| GROWTH | CSR | GROWTH | 1,000 | | | | | 0,8570 |
| | | CSRI | 0,008 | 1,000 | | | | |
| | | EQ | -0,042 | 0,418 | 1,000 | | | |
| | | DER | -0,156 | -0,001 | -0,124 | 1,000 | | |
| | | SIZE | -0,125 | 0,363 | 0,465 | 0,228 | 1,000 | |
| | | | GROWTH | ICSR | EQ | DER | SIZE | |
| | ICSR | GROWTH | 1,000 | | | | | 0,9014 |
| | | CSR | -0,035 | 1,000 | | | | |
| | | EQ | -0,042 | 0,492 | 1,000 | | | |
| | | DER | -0,156 | -0,001 | -0,124 | 1,000 | | |
| | | SIZE | -0,125 | 0,436 | 0,465 | 0,228 | 1,000 | |

*Source: Output E-Views 13 (data processed by researchers, 2026)*

Table 5 shows that the probability value of the F-statistics is 0,000, which means the regression models are statistically significant and appropriate for explaining corporate performance.

Tabel 5. Hypothesis test

| | ROE(CSR) | | ROE(ICSR) | | Growth(CSR) | | Growth(ICSR) | |
|---|---|---|---|---|---|---|---|---|
| | Coef. | Prob. | Coef. | Prob. | Coeff. | Prob. | Coeff. | Prob. |
| C | -45,140 | 0,105 | -33,202 | 0,177 | 0,335 | 0,522 | 0,160 | 0,730 |
| CSR | 10,887 | 0,002*** | | | -0,024 | 0,702 | | |
| CSRDER | -0,616 | 0,002*** | | | 0,000 | 0,999 | | |
| ICSR | | | 8,782 | 0,001*** | | | 0,006 | 0,905 |

| | ROE(CSR) | | ROE(ICSR) | | Growth(CSR) | | Growth(ICSR) | |
|---|---|---|---|---|---|---|---|---|
| | Coef. | Prob. | Coef. | Prob. | Coeff. | Prob. | Coeff. | Prob. |
| ICSR*DER | | | -10,096 | 0,001*** | | | -0,011 | 0,843 |
| EQ | -4,029 | 0,042** | -3,393 | 0,074* | 0,068 | 0,076* | 0,060 | 0,105 |
| EQ*DER | 4,745 | 0,056* | 4,044 | 0,095* | -0,097 | 0,045** | -0,092 | 0,054* |
| DER | 31,471 | 0,056* | 73,969 | 0,008*** | 0,290 | 0,076* | 0,379 | 0,478 |
| SIZE | -1,032 | 0,110 | -0,831 | 0,180 | -0,009 | 0,428 | -0,012 | 0,299 |
| R Square | 0,579 | | 0,581 | | 0,718 | | 0,716 | |
| F-Stat, | 0,000 | | 0,000 | | 0,000 | | 0,000 | |

Notes: *p < 0,10; **p < 0,05; ***p < 0,01,
*Source: Output E-Views 13 (data processed by researchers, 2026)*

Hypothesis testing evaluates how CSR affects profitability and growth. CSR shows a positive and significant effect on profitability with coefficient 10,887 and probability 0,002, supporting H1a. This indicates that CSR disclosure improves profitability by strengthening reputation, lowering non-financial risk, and enhancing funding efficiency. These findings align with prior studies linking CSR to better financial performance (Aydoğmuş et al., 2022; Faturohman et al., 2021; Javaid et al., 2025; Yavuz et al, (2025). In contrast, CSR has no significant effect on sales growth with coefficient 0,024 and probability 0,702, leading to H1b rejection. Thus, CSR mainly supports corporate stability and legitimacy rather than stimulating short-term market expansion or immediate revenue growth, emphasizing its strategic and reputational role. (Al Mahmuda & Al-Mukit, 2023; Kamruzzaman & Newaz, 2025; Rosharlianti & Laia, 2025; Usman et al., 2025).

ICSR based on *maqashid sharia* shows a positive and significant effect on profitability with coefficient 8,782 and probability 0,001, supporting H2a. Ethical and responsible practices enhance moral legitimacy and stakeholder trust, improving operational stability and capital efficiency. This confirms prior evidence that ICSR strengthens profitability through trust-based relationships and long-term stability (Arsad et al., 2022; Bachtiar & Abdullah, 2025; Salimudin & Jubaedah, 2024; Adisaputra, 2021; Saba et al., 2025; Septian et al., 2022). In contrast, ICSR has no significant effect on sales growth in coefficient 0,006 and probability 0,905, leading to H2b rejection. Thus, ICSR's growth impact is indirect and long term, reflecting its focus on ethical sustainability rather than immediate market expansion and short-term revenue acceleration.(Mahmuda & Al-Mukit, 2023; Romadhonia & Kurniawati, 2022; Syurmita et al., 2024).

Environmental quality shows coefficient –4,029 with probability 0,042, supporting H3a with a negative effect, indicating that better environmental performance reduces ROE in the short term due to compliance and technology costs. This reflects a trade-off between sustainability investment and profitability Aydoğmuş et al (2022), Naeem et al (2022), Suryadwi & Andayani (2025), and Wulandari & Akbar 2025). Conversely, environmental quality has a positive but marginal effect on sales growth in CSR model has coefficient 0,068 and probability 0,076, while ICSR model has coefficient 0,068 and probability 0,105, supporting H3b at weak significance. From legitimacy and signaling perspectives, strong environmental performance enhances reputation and market trust, gradually fostering market acceptance and business expansion despite limited immediate financial returns (Aydoğmuş et al., 2022; Ningrum et al., 2025; Wu & Zhu, 2024).

In this study, financial vulnerability affects profitability, with probabilities of 0,056 (CSR model) and 0,008 (ICSR model), and affects growth at 0,076 (CSR) but not in ICSR (0,478). The CSR and DER interaction shows a –0,616 coefficient (p=0,002), supporting H4a and indicating quasi-moderation that weakens CSR's positive profitability effect. Conversely, the CSR and DER interaction on sales growth is insignificant, coefficient 9,310 and probability 0,999, rejecting H4b. Thus, vulnerability does not moderate CSR–growth links CSR acts more as a stability and legitimacy mechanism than a short-term growth driver, with vulnerability mainly serving as a predictor moderator. These findings imply that under high financial pressure, firms must carefully manage the allocation of CSR expenditures. While CSR enhances corporate reputation and social legitimacy, excessive leverage limits financial flexibility, reducing the firm's ability to translate these reputational benefits into profitability. Consequently, CSR activities may be perceived as cost burdens rather than

value-enhancing strategies. Therefore, firms need to align CSR implementation with their financial capacity to ensure that sustainability initiatives remain efficient and contribute to financial performance (Al Mahmuda & Al-Mukit, 2023; Meydinda Usman et al., 2025; Kamruzzaman & Newaz, 2025; Rosharlianti & Laia, 2025).

The interaction between ICSR and financial vulnerability yields a –10,096 coefficient and probability 0,001, supporting H5a and indicating quasi-moderation that weakens ICSR's positive effect on ROE. Conversely, the ICSR and DER interaction on sales growth is insignificant with probability 0,843, rejecting H5b. Thus, vulnerability does not moderate ICSR–growth links; ICSR emphasizes long-term sustainability over short-term expansion, with vulnerability acting mainly as a predictor moderator. While maqashid-based ICSR strengthens moral legitimacy and stakeholder trust, high leverage constrains firms' capacity to translate ethical reputation into profitability due to debt priorities and limited resources. As a result, the financial impact of ICSR becomes less optimal in the short term. Therefore, firms should integrate ICSR strategically to ensure that ethical objectives are achieved without compromising financial sustainability (Mahmuda & Al-Mukit, 2023; Saba et al., 2024; Kamruzzaman & Newaz, 2025; Romadhonia & Kurniawati, 2022; Syurmita et al., 2024).

The interaction between environmental quality and financial vulnerability shows positive coefficients in CSR model with coefficient 4,745 and probability 0,056 and ICSR model with coefficient 4,044 and probability 0,095 in significant 0,10, supporting H6a. This indicates quasi-moderation where vulnerability strengthens the environmental quality to profitability. Conversely, interactions on sales growth are negative and significant with CSR model coefficient –0,097 and probability 0,045, then ICSR models have coefficient –0,092 with probability 0,054, supporting H6b. As a results, under high leverage, strong environmental performance signals credible governance and risk management, enhancing investor confidencec and financing efficiency (Bao & Yu, 2023; Ningrum et al., 2025; Wu & Zhu, 2024). However, the same financial pressure constrains firms' ability to allocate resources toward market expansion, innovation, and strategic growth initiatives. So, although environmental performance improves legitimacy and reputation, its contribution to sales growth becomes limited in the short term (Aydoğmuş et al., 2022; Suryadwi & Andayani, 2025). Firm size is included as a control variable to account for scale effects. The results indicate that firm size does not have a significant direct effect on profitability or growth, suggesting that variations in corporate performance are not driven by firm scale but by sustainability practices and financial vulnerability.

## 4. CONCLUSION

This study examines how conventional CSR, Islamic CSR, and environmental quality influence corporate performance, measured by ROE and sales growth, with financial vulnerability as a moderator and firm size as a control. Results indicate that conventional CSR enhances profitability but does not stimulate growth, highlighting its role in legitimacy building and financial efficiency rather than rapid expansion. *Maqashid*-based ICSR also improves profitability by strengthening moral legitimacy and stakeholder trust, yet its growth effect is indirect and long term. Environmental quality shows a short-term trade-off, depressing ROE because of compliance and investment costs while slightly supporting growth through reputational channels. Financial vulnerability becomes a key boundary condition: high leverage weakens the positive profitability effects of CSR and ICSR but strengthens the environmental quality in profitability while dampening its growth impact. Firm size is insignificant, suggesting sustainability orientation and capital structure outweigh scale. These findings have important strategic implications. Firms should adopt adaptive sustainability strategies by balancing ethical commitments, environmental investments, and financial capacity. In particular, companies with high leverage need to prioritize efficiency in CSR and ICSR implementation while ensuring that environmental initiatives are aligned with long-term value creation. Sustainability practices should not only focus on legitimacy but also be integrated into core business strategies to enhance both profitability and growth. This study has several limitations. It focuses on a single sector and a relatively short observation period, which may limit generalizability. Future research is

encouraged to extend the analysis across different sectors, longer time horizons, and alternative proxies of sustainability and financial vulnerability. Further studies may also explore nonlinear relationships or incorporate additional moderating variables to test the robustness of the model.

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