

CHARACTERISTICS OF THE SHARIA SUPERVISORY BOARD AND ITS RELEVANCE TO ISLAMIC SOCIAL REPORTING AT ISLAMIC BANKS IN INDONESIA

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ABSTRAK

Penelitian ini dilakukan untuk menguji pengaruh ukuran Dewan pengawas Syariah (DPS), jumlah rapat DPS, pendidikan DPS, dan rangkap jabatan DPS terhadap Islamic Social Reporting (ISR) menggunakan variabel kontrol ukuran perusahaan serta profitabilitas. Objek penelitian terdiri dari 13 Bank Umum Syariah dan 21 Unit Usaha Syariah yang terdata di Otoritas Jasa Keuangan pada periode 2015-2017. Content Analysis digunakan untuk mengidentifikasi tema dan item pada laporan tahunan bank. Analisis regresi linier berganda merupakan metode yang digunakan dalam pengolahan data. Penelitian ini membuktikan variabel jumlah rapat DPS, rangkap jabatan DPS, ukuran DPS serta profitabilitas berpengaruh signifikan terhadap Islamic Social Reporting. Sementara itu, variabel jumlah DPS dan latar belakang pendidikan DPS ditemukan tidak berpengaruh signifikan terhadap ISR. Hal ini menunjukkan jumlah anggota DPS tidak memberikan kontribusi terhadap pelaporan sosial jika jarang melakukan rapat. Adanya Sertifikasi Dewan Syariah Nasional menyiratkan tidak ada kekhususan latar belakang pendidikan DPS. Penentuan Indeks ISR sangat subjektif, maka diharapkan Dewan Syariah Nasional dapat merancang pedoman khusus penerapan Indeks ISR dan dikonvergensi dengan Indeks ISR lainnya.

Kata kunci: dewan pengawas syariah; bank syariah; islamic social reporting.

ABSTRACT

This study was conducted to examine the effect of the size of the Sharia Supervisory Board (SSB), the number of SSB meetings, SSB education, and duality in SSB positions on Islamic Social Reporting (ISR) using the control variable of company size and profitability. The object of the study consisted of 13 Sharia Commercial Banks and 21 Sharia Business Units recorded in the Financial Services Authority in the 2015-2017 period. Content Analysis is used to identify themes and items in the bank's annual report. Multiple linear regression analysis is a method used in data processing. This study proves the variable number of SSB meetings, duality in SSB positions, SSB size and profitability significantly influence ISR. Meanwhile, the variable number of SSB and SSB education was found to have no significant effect on ISR. This shows the number of SSB members did not contribute to social reporting if they rarely met. The existence of the National Sharia Board Certification implies that there is no specific SSB educational background. Determination of the ISR Index is very subjective, it is hoped that the National Sharia Board can design specific guidelines for the implementation of the ISR Index and converge with other ISR Indexes.

Key words: sharia supervisory board; islamic bank; islamic social reporting

INTRODUCTION

The definition of Law Number 10 of 1998 explains that banks as financial institutions are tasked with collecting and distributing

funds to the public. Bank Indonesia, as the implementing monetary policy, has the authority to issue licenses and revoke business licenses of a bank. Banks in

Indonesia based on their operational functions are divided into 3 (three), namely central banks, commercial banks, and people's credit banks (Roring, 2013); (Hakiim and Rafsanjani, 2016). Meanwhile, Islamic banking is a banking system whose implementation is guided by Islamic principles or Islamic law (Ilhami, 2009); (Qolby, 2013).

To carry out its business activities, companies that implement Sharia principles have broad potential to attract Muslim investors, as well as other parties who are interested in investing and being involved in the company's business activities (Othman & Thani, 2010); (Ramadhani 2016); (Nuralam, 2017). Therefore, the report presented by the company must be based on Sharia principles and carry out corporate social responsibility disclosure Corporate Social Responsibility (CSR) according to Ramadhani (2016). CSR is an active role of companies in contributing to the achievement of public welfare (Friedman, 2007); (Murphy & Ng'ombe, 2009); (Garriga & Melé, 2013); (Masrurroh & Mulazid, 2017).

Disclosure of social responsibility in Islamic financial institutions better known as Islamic Social Reporting (ISR) is now a necessity and an interesting topic of conversation (Fitria & Hartanti, 2010) ISR is the development of social reporting not only involving the holistic expectations of society about the role of companies in the community but also viewed from a spiritual perspective (Othman & Thani, 2010); (Hafiez *et al.*, 2012); (Zanariyatim *et al.*, 2016); (Meutia & Febrianti, 2017). ISR becomes very important because it can show the accountability of the company to stakeholders (Maali *et al.*, 2006); (Othman & Thani, 2010); (Lestari, 2013). The ISR index was expanded again by researchers consisting of ISR indicator items that must be disclosed by Islamic financial institutions (Hafiez *et al.*, (2012). The ISR index has 6 (six) themes covering finance and investment, products and services, employees, social, environment and corporate governance, in total 49 indicators (Othman *et al.*, 2009); (Othman & Thani, 2010); (El-

Halaby & Hussainey, (2015). According to Charles dan Chariri (2012), the party holding the role in the implementation and disclosure of the ISR is the SSB. SSB occupies a strategic position in the hierarchy of Islamic financial institutions (Nathan Garas & Pierce, 2010). SSB has the same authority and position in Islamic financial institutions as the board of commissioners (Farook *et al.*, 2011). The existence of SSB is very important in the supervision process because SSB has the authority to advise on Shariah compliance to management in Sharia financial institutions (Al-Sadah, 2007); (Nathan Garas & Pierce, 2010); (Farook *et al.*, 2011); (Nathan Garas, 2012). The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) established Governance Standard no. 1 in the Governance Standards for Islamic Financial Institutions (GSIFI) governing the existence of SSB in Sharia financial institutions (Charles dan Chariri, 2012); (Sulaiman *et al.* 2015); (El-Halaby & Hussainey, 2016). In Indonesia, SSB is legally protected by Law Number 40 of 2007 concerning Limited Liability Companies in article 109 discussing the SSB position. Then Act Number 21 of 2008 concerning Sharia banking, article 23 regulates the position of SSB in Sharia banking. Another thing that becomes a reference in SSB supervision is Bank Indonesia Regulation Number 11/33/PBI/2009 which regulates the implementation of good governance for Sharia Commercial Banks and Sharia business units.

SSB is an independent Sharia body and economist that has the role of directing, controlling, reviewing and ensuring compliance with Sharia principles in Islamic financial institutions (Al-Sadah, 2007); (Nathan Garas & Pierce, 2010); (Garas, 2012); (Rokan, 2017); (Sulistyawati & Yuliani, 2017). According to Nuha, (2018) SSB as the body in charge of overseeing the implementation of fatwas and decisions determined by the National Sharia Council. Some of these opinions were confirmed by Hashim *et al.*, (2015); Mukhibad (2018) who stated the existence of SSB is an internal advisor in

Islamic financial institutions, has a holistic function of Shariah compliance related to economic and social performance. Furthermore, Rahajeng (2013) explains that SSB also acts as an independent body of legal specialists in *fiqh al muamalat* (Islamic commercial jurisprudence). Considering the role of SSB is very important in Islamic financial institutions and the effect of SSB on ISR, this study will examine in more detail the characteristics of SSB and its relevance to ISR.

Previously some studies tried to identify factors that influenced ISR including, Billzha (2018); Prastiwi (2017); Rahayu dan Cahyati (2014); Rosiana *et al.*, (2015); Ramadhani, (2016); Maghfur (2018). Billzha (2018) examines SSB characteristic variables including SSB educational background, SSB expertise, SSB size, duality in SSB positions and SSB reputation. Prastiwi (2017) identified SSB characteristic variables namely SSB size, SSB meeting frequency, and SSB education background. Rahayu dan Cahyati (2014) tested SSB size variables, SSB meeting frequency, profitability, company size, leverage and the size of the board of commissioners on ISR. Rahayu dan Cahyati (2014) tested SSB size variables, SSB meeting frequency, profitability, company size, leverage and the size of the board of commissioners on ISR. Rosiana *et al.*, (2015) identified SSB characteristic variables including size, profitability and leverage, Islamic governance, SSB reputation, and SSB education background on ISR. Ramadhani (2016) tested the SSB size, size, and profitability variable for ISR. Furthermore, Maghfur (2018) also examines SSB characteristic variables including firm size, firm age, SSB meeting frequency, SSB size and profitability to ISR.

From previous studies, it is known that there have been many studies using SSB size variables, several SSB meeting frequencies and SSB education background on ISR in Islamic financial institutions. The results of the reviews obtained from previous studies vary greatly. Therefore, in this study, the researcher will include these three variables.

This study also added the dual position variable as a new variable that had not previously been studied. This is based on Bank Indonesia regulation No. 11/3/2009 article 36 paragraph stating that SSB members can perform duality in their positions as SSB members in 4 (four) different Sharia financial institutions. Because it is suspected that if SSB implements duality in positions in more than 4 (four) Islamic financial institutions, it will interfere with SSB performance.

Based on the description stated above, this study was conducted to provide a complete picture of the role of SSB through SSB characteristics consisting of SSB size, number of SSB meetings, SSB education background, and duality in SSB positions on ISR disclosure using ISR control variables company and profitability.

STUDY LITERATURE AND HYPOTHESIS DEVELOPMENT

Stewardship Theory

Stewardship Theory is a depiction of the condition of managers who are motivated from the main results of the interests of the organization rather than motivated against his interests (Donaldson & Davis, 1991); (Davis *et al.*, 1997); (Muth & Donaldson, 1998); ((Albrecht *et al.*, 2004); Keay, 2017). The individual holds the agreement about the organization as a binding moral commitment between the two parties (Caldwell, Bischoff, & Karri, 2002) ; (Caldwell, Hayes, Bernal, & Karri, 2008). This theory has basic psychology and sociology that are arranged so that executives who act as stewards (management) are encouraged to do as the principal wishes (Muth & Donaldson, 1998); (Albrecht *et al.*, 2004); (Bindabel, 2017). Steward behavior does not neglect the organization where it works because it wants to achieve the goals of the organization (Husain dan Abdullah, 2015); (Marharani & Yulianto, 2016). In company management, Stewardship theory has a role to maintain harmony and trust given by the principal to stewards (Zoelisty and Adityawarman,

2014). Stewardship Theory suggests that managers include individuals who consider fairness and care for the interests of others (Buchanan, 1996) and consider themselves to be professional, company stewards. Company goals take precedence over personal interests (Hernandez, 2012). As professionals, they will make personal sacrifices, act honestly and diligently (Blair & Stout, 2001). Arrangements by company management must be accountable for the sake of the public good.

In some studies, the characteristics of SSB on the disclosure of ISR are many who use theories such as Stakeholders' theory, Legitimacy and Sharia Enterprise Theory. In this study, researchers tried to use the Stewardship theory. Stewardship Theory is a description of Steward who acts by the wishes of the principal. Stewardship Theory is intended to examine situations where executives in a company as stewards can behave best on the principal (Marharani & Yulianto, 2016).

Previously it was known that SSB is a supervisor in ensuring sharia compliance that has the same goals as an Islamic bank. Stewardship is a description of managers who act in the best way according to the wishes of the principal. This is almost the same as the function of SSB as a supervisor in ensuring sharia compliance with ISR disclosure. In the Stewardship perspective management should act as such. Management acts as a Steward in which management behavior must be the same as the goals of the organization. Therefore, in this study researchers used the Stewardship theory to link the role of SSB and stewards in ensuring sharia compliance in Islamic banks in Indonesia.

Islamic Social Reporting (ISR)

Islamic Social Reporting is the development of a conventional reporting system that not only contains material, social and moral aspects, but also contains matters relating to Sharia principles, including Sharia compliance, paying zakat, activities

that are free from the application of interest/usury, gharar and aspects social aspects, such as saddaqaqah, waqf, qardhul hassan (Lestari, 2013); (Indrawaty & Wardayati, 2016). Islam wants harmony between economic and spiritual activities in conducting business activities. In Islamic Sharia there are three interrelated dimensions, namely seeking God's pleasure as the main goal in building socio-economic justice, providing benefits to society, and creating prosperity (Haniffa, 2002); Maghfur (2018).

Islamic perspective is an understanding related to corporate accountability that is shown to the public to increase transparency, social justice and corporate social ownership (Haniffa, 2002); (Maali *et al.*, 2006); (Lestari, 2013). Large-scale financial institutions tend to face higher demand for information related to company conditions compared to small-scale financial institutions (Ramadhani, 2016). Furthermore, Haniffa (2002) developed 5 (five) themes in the disclosure of ISR and Othman *et al.*, (2009) added 1 (one) theme, namely:

1. Finance and Investment

The basic concepts in this theme are monotheism, halal, haram, and compulsory. Related items are sources of funds for investment and financing activities that do not have the element of usury, zakat, gharar, transactions that are not recommended in Islam, investment activities, and related financing projects.

2. Products and Services

Some aspects that need to be revealed on this theme are the halal status of the products used and the service of consumer complaints.

3. Employees

In ISR everything related to employees comes from the concepts of ethics, trust and justice, namely the number of hours worked by employees, holidays, employee benefits and remuneration, employee education and training, employee involvement, employee safety, work environment, employees from special

groups and place of worship for employees

4. Social

The concepts that underlie this theme are the ummah, amanah, and 'adl. The concept emphasizes the importance of mutual diversity and lightens the burden on society. Islam emphasizes its people to share. The focus on Islamic principles includes items saddaqaqah, waqf, qard hassan, along with other charitable activities.

5. Environment

The concepts that underlie this theme are mizan, iididal, khilafah, and akhirah. The concept emphasizes the principle of balance, simplicity, and responsibility in protecting the environment.

6. Corporate Governance

The concept that underlies this theme is the khilafah.

Size of the Sharia Supervisory Board

The size of SSB is the number of SSB members in an Islamic financial institution (Khoiruddin, 2013). According to PBI (2009), SSB membership is a minimum of 2 (two) people. The number of SSB members in Islamic financial institutions will lead to better Shariah compliance (Nathan Garas, 2012). This is because, the existence of SSB's collective knowledge and experience is expected to lead to wider ISR disclosure (Farook *et al.*, 2011); (Rahayu & Cahyati, 2014); (El-Halaby & Hussainey, 2016). Also, a higher number of SSB members can reduce uncertainty and lack of information (Birnbau, 1984). SSB in carrying out the supervision of Islamic financial institutions by the fatwa given by the National Sharia Council (DSN) according to Rama, (2015). DSN cooperates with Bank Indonesia and the Financial Services Authority in the process of appoint- ing SSB membership.

Number of Sharia Supervisory Board Meetings

The presence of directors and committees at the board of directors meetings are

urgently needed by directors and share holders (Widayuni and Hartono, 2014); (Gray & Nowland, 2013). SSB members in Islamic financial institutions have a minimum of 1 (one) meeting in 1 (one) month (PBI, 2009). The existence of SSB is almost the same as the audit committee's aim to oversee Islamic financial institutions. The high frequency of meetings conducted by SSB will affect better CSR disclosure (Charles and Chariri, 2012); (Rahayu and Cahyati, 2014). This is due to the coordination and supervision process carried out by SSB in Islamic financial institutions (Al-Tuwaijri *et al.*, 2004).

Educational Background of the Sharia Supervisory Board

The competency that must be possessed by SSB is not only expertise in terms of Islamic law. SSB members must have insight and experience in the field of Sharia banking, general finance, and competence in the field of Sharia muamalah (Ramadhani, 2016); (Mukhibad 2018). This statement is confirmed by Farook *et al.*, (2011); Mukhibad (2018) that in addition to understanding religious issues, SSB must understand legal, economic and financial issues. Because the diversity of education owned by SSB will affect the quality of social reporting on Islamic banks.

Halal and illicit banking activities and products will be difficult to determine if SSB only understands Islamic law, without having expertise in other aspects such as the manufacture of products, or the legality of a Sharia product in Islamic law (Charles and Chariri, 2012). In practice, Islamic banking follows conventional accounting practices. However, Islamic banking also implements practices based on the DSN fatwa whose implementation is overseen by DSN (Nuha, 2018).

Dual Position of Sharia Supervisory Board

Dual positions are considered as an issue that influences SSB performance. Estimated to influence the level of focus and effectiveness of SSB in carrying out their

duties. Dual positions can create a conflict of interest (Gary & Nowland, 2012). Therefore, these conditions need to be considered because they can cause a conflict of activities (Rahayu & Cahyati, 2014). SSB members may not be able to attend meetings scheduled at one bank because of interests at another bank.

According to PBI No. 11/3/2009, SSBs are allowed to perform duality in their positions as members of SSBs only in a maximum of 4 (four) Islamic financial institutions. That is because, if SSB occupies dual positions in more than 4 (four) Islamic financial institutions, it can interfere with SSB performance.

Prior Research

Previous studies related to ISR that have been successfully excavated include: Research by Charles and Chariri (2012) of 8 (eight) independent variables, 7 (seven) variables affect CSR disclosure. But 4 (four) variables include the board of commissioners' meeting, the composition of the independent commissioners, the size of the board of commissioners, the composition of the independence of the audit committee found to have a negative coefficient. While the variable size of the board of commissioners, Islamic Governance (IG), size of the board of commissioners, audit committee meetings was found to have a positive effect on CSR disclosure. Charles dan Chariri (2012) use the population of Islamic banks in Asia. The sample consists of 7 (seven) Sharia banks as members of AAOIFI and 3 (three) Sharia banks in Indonesia who are non-members, but the banks have adopted regulations and standards regulated by AAOIFI.

Lestari (2013) revealed that there was a significant influence between profitability and company size variables on ISR disclosure. However, firm age variables and the proportion of the board of commissioners did not significantly influence the disclosure of ISR. The study was conducted at 18 Sharia Commercial Banks in Indonesia for the period 2010-2011. Rahayu dan Cahyati (2014)

found that all Sharia banks had disclosed CSR. But the variable number of SSB meetings, SSB size, leverage, and company size do not affect the extent of CSR disclosure. While the profitability variable has a negative effect and the board of commissioners has a positive effect on CSR disclosure. The study population is Sharia banking in Indonesia in the period 2011-2014.

Furthermore, the research of Rosiana *et al.*, (2015) explains that company size variables have a significant influence on ISR disclosure. However, the leverage, profitability and Islamic Governance Score (IGS) variables whose measurement through a large number of cross membership, SSB reputation, and educational background do not affect ISR disclosure. The growth of IGS in Islamic banking in Indonesia is still new. IGS which has been good in Islamic banking cannot guarantee whether it will provide better ISR disclosure or vice versa. The study population was 10 Sharia Commercial Banks in Indonesia for the period 2010-2012.

Ramadhani, (2016) found that the SSB size variable, size companies and leverage influence the disclosure of ISR. However, profitability variables do not affect on ISR disclosure. The population of the study is Sharia Commercial Banks in Indonesia for the period 2010-2014. Further research conducted by Sulistyawati & Yuliani (2017) found that independent commissioner variables had a positive and significant effect on ISR disclosure. However, firm size, profitability and leverage variables do not affect ISR disclosure.

The research sample is companies listed on the Indonesian Sharia Stock Index (ISSI) of the Indonesia Stock Exchange totaling 39 companies in the 2012-2014 period.

Maghfur (2018) revealed that company size and frequency of SSB meeting variables had a positive and significant effect on ISR disclosure. Furthermore firm age, profitability, and SSB size variables do not affect ISR disclosure. The research sample of 8 (eight) Sharia Commercial Banks for the period 2012-2016.

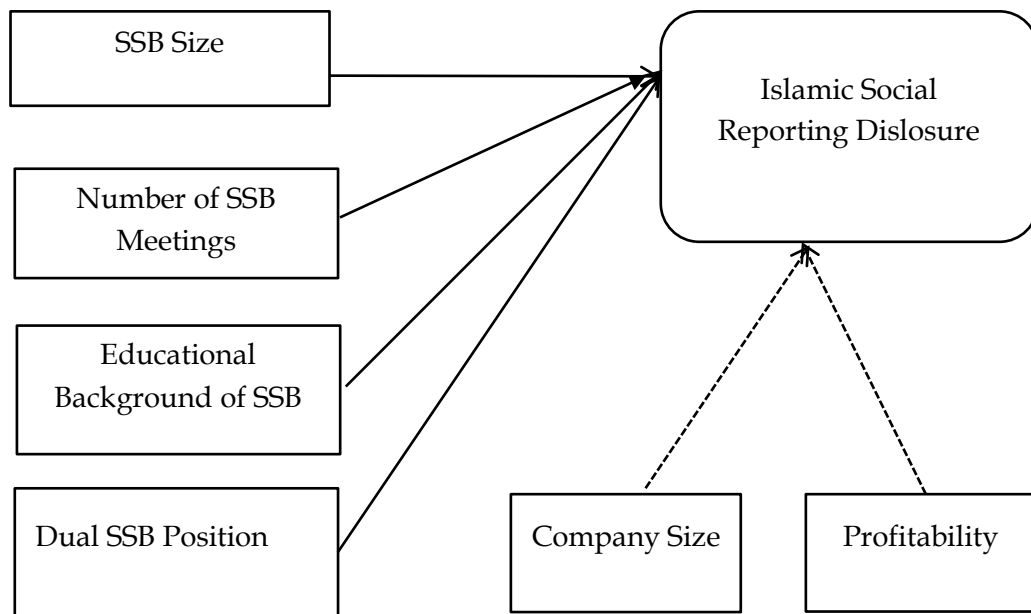


Figure 1
Framework

Based on the description above, it is concluded that the SSB size variable obtained 2 (two) differences in the results of the study. Charles dan Chariri (2012); Ramadhani (2016); Sulistyawati & Yuliani (2017) stated that the SSB size variable showed an influence on ISR. Lestari (2013); Rosiana *et al.*, (2015); Maghfur (2018); Rahayu dan Cahyati (2014) stated that the SSB size variable did not affect on the ISR. While the second variable is the number of SSB meetings. Research conducted by Maghfur (2018) explains that the frequency of SSB meetings has a significant effect. Rahayu dan Cahyati (2014) found that the SSB meeting frequency variable had no significant effect. Furthermore, Rosiana *et al.*, (2015) revealed that educational background variables did not significantly influence ISR.

Various studies have been explored by researchers, but no one has raised the issue of dual position as part of the characteristics of SSB. Therefore this study was carried out to identify the characteristics of SSB and how they affect the size of SSB, frequency of SSB meetings, SSB education background and dual positions in SSB positions on ISR

disclosure using control variables of company size and profitability.

As explained earlier, the framework for this study can be seen in Figure 1. The hypothesis formulation based on the above mindset is:

The SSB size, number of SSB meetings, SSB education background, and duality in SSB positions affect ISR.

METHODOLOGY

This research is quantitative. The object of research used is Sharia Commercial Banks and Sharia Business Units in Indonesia in 2017 Financial Services Authority data. The type of data in this study is secondary data sourced from annual reports. Data obtained through the website of the Sharia Commercial Bank and Sharia Business Unit. Registered Syariah Commercial Banks are 13 banks and Syariah Business Units are 21 banks.

Content analysis is used to identify the contents of the ISR in the bank's annual report. Content analysis is a method that has been widely applied in research that

identifies the content or content of an annual report (Campopiano & De Massis, 2015); (Gao, 2011); (Bouten, Everaert, Van Liedekerke, De Moor, & Christiaens, 2011); (Abul Hassan, 2010).

Variable Measurement

ISR measurement using (Othman *et al.*, 2009) is a reference in measuring ISR. There are 49 items in 6 (six) themes covering, finance and investment, products or services, employees, social, environment, and corporate governance.

The indexing measurement is done by giving a score of "0" if the item is not disclosed, while a score of "1" is given if the item is disclosed (Hafiez *et al.*, 2012). The index value is obtained by dividing the total items disclosed by the entity by the total items that must be disclosed.

$$ISR = \frac{\text{Total items disclosed}}{\text{Total items must be disclosed}} \times 100$$

The SSB measure is the number of SSB members in sharia institutions.

$$USSB = \sum \text{Number of SSS Members}$$

The number of SSB meetings is the number of frequency of meetings held by SSB in one year.

$$RSSB = \sum \text{Number of SSB Meetings}$$

The educational background in this study is the diversity of SSB education covering religion, economics, and law. This measurement refers to research conducted by Othman *et al.*, (2009). A score of "1" is given to banks that have a variety of SSB

educational backgrounds. A score of "0" is given to banks that do not have SSB with these 3 criteria.

Duality in position is a condition of SSB members in holding 2 or more positions. Dual SSB member positions can only be made to a maximum of 4 (four) Sharia entities. The measurement method used is the dummy method using a nominal scale. A score of "1" is given to the bank if one SSB member is occupying more than 4 Islamic financial institutions. A score of "0" is given to banks with SSB occupying positions of less or equal to 4 in Islamic financial institutions.

The control variables in this study are size and profitability. The control variable is used because many previous studies have proven that there is an influence between company size and profitability on social reporting (Widayuni & Hartono, 2014); (Rahayu & Cahyati, 2014); (Abul Hassan, 2010); (McWilliams & Siegel, 2000); (Sadou, Alom, & Laluddin, 2017); (El-Halaby & Hussainey, 2015); (Mallin, Farag, & Ow-Yong, 2014). Size is proxied by Ln (total assets) at a Sharia Commercial Bank and Sharia Business Unit. The measurement of profitability by using the ratio of Return on Assets (ROA).

$$ROA = \frac{\text{Net Profit}}{\text{Total Assets}} \times 100\%$$

The analysis applied in this research is multiple regression. Multiple regression analysis to develop the research model (Tiaraintan Hariyanto & Suhardianto, 2018); (Putra *et al.*, 2018); (Humaidi *et al.*, 2018) and test whether the four selected factor variables can influence the ISR index. The relationship between the four factors with ISR is illustrated by the following equation:

$$ISR = \alpha + \beta_1 USSB + \beta_2 RSSB + \beta_3 PSSB + \beta_4 RJBT + \beta_5 SIZE + \beta_6 PROFIT +$$

USSB = SSB size

RSSB = Number of SSB Meetings

PSSB = Educational Background of SSB

RJBT = Duality in SSB Position

SIZE = Company Size

PROFIT = Profitability

ISR = Islamic Social Reporting

β_0 = Coefficient of Multiple Regression

α = A constant ε = Error Term

Table 1 and Table 2 are data that show the value of each research variable in the sample banks, namely Sharia Commercial Banks and Sharia Business Units.

RESULTS AND DISCUSSION

Table 1
Descriptive Research Variables at Islamic Commercial Banks

No	Name of Sharia Commercial Bank	ISR	SSSB	RSSB	PSSB	RJBT
1	Bank Aceh Syariah	0,67	2	10	1	0
2	Bank Muamalat Indonesia	0,78	3	12	0	0
3	Bank Victoria Syariah	0,53	2	23	0	0
4	Bank BRI Syariah	0,73	2	12	0	0
5	Bank Jabar Banten Syariah	0,63	3	12	1	0
6	Bank BNI Syariah	0,69	2	19	0	1
7	Bank Syariah Mandiri	0,71	3	9	1	1
8	Bank Mega Syariah	0,71	2	13	0	1
9	Bank Panin Dubai Syariah	0,69	2	27	1	1
10	Bank Syariah Bukopin	0,69	2	14	0	1
11	BCA Syariah	0,71	2	14	1	1
12	Maybank Syariah Indonesia	0,61	2	12	0	0
13	Bank Tabungan Pensiunan Nasional Syariah	0,61	2	12	0	1

The data in Table 1 above shows that Bank Muamalat Indonesia has the highest ISR index (0.78) compared to other banks. While the lowest ISR index (0.53) is found in Victoria Syariah Bank. The high ISR index of Bank Muamalat is possible because Bank Muamalat is the first Sharia bank established in Indonesia, so it has more experience in managing social reporting. The size or number of SSB in each Sharia bank ranges from 2 to 3 people. This is by PBI Nomor 11/3/PBI/2009 which requires that there are at least two SSB members in one Sharia bank. Banks that have 3 (three) SSB are Muamalat Bank, Banten Jabar Banten Syariah Bank, and Mandiri Syariah Bank.

About the number of SSB meetings in one year, Panin Dubai Syariah Bank has the highest number of meetings, 27 times. While the least conducted meetings were Bank Syariah Mandiri, only 9 times. The obligation of SSB to conduct meetings according to PBI Number 11/33 /PBI /2009 is at least once a month, meaning twelve times a year. Bank

Syariah Mandiri was established relatively longer than Bank Panin Syariah and had more SSB members than Bank Panin Dubai Syariah. However, this does not mean that the SSB has more meetings according to Bank Indonesia regulations.

Related to educational background variables, only 5 (five) Sharia commercial banks have SSB with various fields of education (religion, law, and economics). Eight other banks do not have SSB members with diverse educational backgrounds. Whereas diverse educational backgrounds will help SSB to carry out its functions more optimally This is in line with research by Andriana, Muhamad, Meutia, & Natalia (2015).

Out of the 17 (seventeen) Sharia banks, 7 (seven) banks, SSB members carry out the duality in positions in more than 4 (four) Sharia banks. While SSB in 8 (eight) other Sharia banks have fulfilled Bank Indonesia regulations, do not allow duality in positions in more than 4 (four) banks.

This dual position regulation is closely related to the implementation of the SSB function. The more SSB of a bank doing dual positions as SSB in other banks, the more likely there are obligations or tasks to be ignored

Furthermore, the data in Table 2 illustrates how the condition of the Sharia Business Unit is based on the five main research variables, namely the social reporting index (ISR), the SSB size (SSSB), the number of SSB meetings in one year (RSSB), the educational background of SSB members (PSSB) and dual position of SSB (RJBT) member. The data in Table 2 shows the highest ISR index (0.80) for the Sharia Business Unit category found in Bank

Permata Syariah. While the lowest ISR index (0.55) was found in Jambi BPD and South Kalimantan BPD. When viewed from the year of its establishment, the Permata Bank Syariah and the Central Kalimantan Syariah Business Unit were established in 2004, while the Syariah Syariah Bank BPD Jambi was established in 2011. In this case, the duration of the bank standing does not seem to be a driver of the ISR index.

Judging from the size of SSB, the largest number of SSB (4) is found in Maybank Indonesia. This differs from data from Sharia Commercial Banks, where the largest number of SSB members is only 3 people. Meanwhile, other Sharia Business Units have SSB members of between 2 to 3 people.

Table 2
Descriptive Research Variables in Sharia Business Units

No	Name of Sharia Business Unit	ISR	SSSB	RSSB	PSSB	RJBT
1	Bank Danamon Indonesia, Tbk	0,73	2	12	0	1
2	Bank Permata, Tbk	0,80*	2	17	1	0
3	Bank Maybank Indonesia, Tbk	0,77	4	23	0	0
4	Bank CIMB Niaga, Tbk	0,76	3	24	0	0
5	Bank OCBC NISP, Tbk	0,73	2	15	0	0
6	Bank Sinarmas	0,73	2	12	0	0
7	Bank Tabungan Negara (Persero), Tbk	0,73	3	17	1	0
8	BPD DKI	0,65	2	16	0	0
9	BPD Daerah Istimewa Yogyakarta	0,63	2	14	0	0
10	BPD Jawa Tengah	0,76	2	13	1	0
11	BPD Jawa Timur, Tbk	0,78	3	9	0	0
12	BPD Sumatera Utara	0,71	3	10	1	0
13	BPD Jambi	0,55*	2	15	0	0
14	BPD Sumatera Barat	0,69	3	27	1	0
15	BPD Riau dan Kepulauan Riau	0,74	2	15	0	0
16	BPD Sumsel Babel	0,71	3	13	0	0
17	BPD Kalimantan Selatan	0,55*	2	12	0	0
18	BPD Kalimantan Barat	0,63	3	23	0	0
19	BPD Kalimantan Timur	0,59	2	0*	0	0
20	BPD Sulawesi Selatan & Barat	0,67	2	9	0	0
21	BPD Nusa Tenggara Barat	0,74	2	45*	0	0

The highest number of meetings held by SSB per year (45 times) is conducted by the Sharia Business Unit of the West Nusa Tenggara BPD. Whereas the Sharia Commercial Bank of the East Kalimantan BPD has never held a SSB meeting. Other BPD Syariah Banks have met the meeting criteria set by Bank Indonesia, which are at least 12 times a year. However, there are still two Sharia Business Units that do not comply with the provisions, including Sharia Business Units from BPD East Java, North Sumatra, and South & West Sulawesi.

Furthermore, out of the 21 Sharia Business Units that were sampled in this study, as many as five Sharia Business Units that have SSB members with diverse

educational backgrounds (religion, economics, and law), namely Syariah Business Units Bank Permata, BTPN, Central Java BPD, North Sumatra BPD and West Sumatra BPD. In terms of dual positions, there is only one Sharia Business Unit, the Bank Danamon Syariah Business Unit, whose SSB members have multiple positions in more than 4 other Sharia banks. In terms of dual positions, it seems that the Sharia Business Unit of the Regional Bank is far more compliant with Bank Indonesia regulations. Next, Table 3 shows the minimum, maximum and mean values of the research variables, namely the ISR index, the SSB size, the number of SSB meetings, SSB education, dual SSB positions, company size, profitability.

Table 3
Descriptive Statistics of Research Variables

	N	Minimum	Maximum	Mean
ISR	102	0.53	0.81	0.70
USSB	102	2	4	2.35
JRPT	102	0	45	14.14
PSSB	102	0	1	0.29
RJBT	102	0	1	0.23
SIZE	102	27.87	33.22	30.87
ROA	102	-0.2	0.2	0.016
Valid N (listwise)	102			

Source: data processed

The data in Table 3 shows the lowest ISR index of 0.53, the highest ISR index of 0.81 with an average index of 0.70. In general, this shows that the ISR index of both Sharia Commercial Banks and Sharia Business Units is already above 50 percent. The ISR index above 50 percent according to Julia, Rahman, & Kassim, (2016) has shown there are good intentions from companies to carry out social activities based on Sharia principles.

The SSB size shows that the minimum number of SSB is 2 and the maximum is 4 (four). This shows that the compliance of

Sharia Commercial Banks and Sharia Business Units to meet the minimum requirements for SSB members as stipulated in the PBI is sufficient.

Meanwhile, the number of meetings conducted by SSB during one calendar year ranged from 0 to 45 times. This shows that there are still Sharia Commercial Banks and Sharia Business Units that do not hold meetings as regulated in the PBI.

Test results The coefficient of determination shown in Table 4 shows an R² of 0.274. This shows that the SSB size variable, the number of SSB meetings, SSB education

and dual positions in the SSB position gave the rest is explained by other variables variation to the ISR index of 27.40%. While outside this research variable.

Table 4
Determination Coefficient Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.563 ^a	0.317	0.274	0.05542

a. Predictors: (Constant), ROA, RJBT, JRPT, PSSB, SIZE, USSB

b. Dependent Variable: ISR

Source: data processed

Table 5
Hypothesis Test Results (T-test Results)

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	-0.02	0,09514		-0.143	0,61597
1	SSSB	0.008	0.012	0.062	0,43194
	RSSB	0.002	0.001	0,14792	2.413
	PSSB	0.018	0.013	0,08611	1.405
	RJBT	0.028	0.014	0,12778	2.057
	SIZE	0.021	0.005	00.43	4.528
	ROA	0.074	0,10347	0.044	0,34514

a. Dependent Variable: ISR

Source: data processed

T-test results that show the effect of each independent variable on the ISR index can be seen in the following Table 5.

The data in Table 5 shows the variable number of SSB meetings, multiple SSB positions, bank size and profitability that have a significant influence (P-value <0.05). While 2 (two) other variables, SSB size and SSB education did not show a significant effect (P-value > 0.05). Many meetings held by SSB in 1 (one) year affect the ISR index disclosed by the company. This shows that with a large number of meetings, it is likely that SSB has more time to discuss other matters outside the main task. SSB ensures Sharia bank compliance in carrying out its daily operations. Duality in position is another significant factor that also affects the

ISR index of Islamic banks. Being a SSB member at many other Sharia banks will disrupt SSB activities as stated (Rahayu & Cahyati, 2014). Therefore, the Financial Services Authority Regulation Number 30/POJK.05/2014 limits dual positions only to a maximum of 4 other banks. Becoming a SSB member in more than 4 Sharia banks will disrupt the time owned by SSB members to supervise Sharia banks properly, including in terms of social reporting.

The two control variables, size, and profitability, as expected, have a significant effect (P-value <0.05) on the ISR index. Banks that have large assets will certainly try to show more attention to corporate social reporting. This is in line with the findings (Othman & Thani, 2010); (Kamla & Rammal,

2013); (Meutia & Febrianti, 2017). Likewise, companies that are in good financial condition, will have more resources to show their social responsibility. As found also in research (Giannarakis, 2014); (Gamerschlag, Möller, & Verbeeten, 2011); (Muttakin, Khan, & Subramaniam, 2015).

In this study, SSB size and SSB education background are two variables that do not influence the ISR index. This means that a little or a lot of SSB members do not contribute much to social reporting conducted by Islamic banks. A large number of SSB members will not contribute if meetings are rarely held. On the other hand, frequent meetings will allow SSB members to submit their fatwas and views to encourage banks to pay more attention to social issues based on Islamic views. Grassa, (2013) states that SSB is a board that has an important role in ensuring Islamic banks comply with Islamic rules. In this case, fewer SSB members but who are more active in the meeting will provide better benefits to Islamic banks.

The educational background of SSB members is also not a significant variable on the ISR index. This happens because it is possible to become a member of SSB in Indonesia required to follow certification held by the National Sharia Board. SSB members must pass the exam to become an SSB. So SSB members with any educational background can have a good understanding of the principles of Islamic Sharia. Therefore, in this case, the formal education background does not become too significant.

CONCLUSIONS, LIMITATIONS AND SUGGESTIONS

Conclusions

This study was conducted to examine the effect of SSB size, frequency of SSB meetings, SSB education, and dual SSB positions on ISR in Sharia Commercial Banks and Sharia Business Units in Indonesia. The control variables used are company size and profitability. Based on the findings, this study concludes the following: Of the four variables 2 (two) variables have a significant

contribution to the ISR. The variable is the number of SSB meetings and dual SSB positions. Because it is proven that more frequent meetings are held, the ISR index is getting better. It turns out that the existence of SSB in more than 1 bank, this can affect the performance of the ISR. But in this study, SSB size variables and SSB education background were found to have no significant contribution.

Suggestions

As the tests have been carried out, suggestions for future research include:

1. Sharia Commercial Banks and Sharia Business Units can present ISR disclosure more broadly at a better level.
2. The low coefficient of determination in this study is possible because the variables used are still small. Future research is expected to be able to add variables that theoretically influence on ISR.
3. Future research is expected to expand the objects to be examined. Besides Sharia Commercial Banks and Sharia Business Units such as the Jakarta Islamic Index (JII) or the Indonesian Sharia Stock Index (ISSI).

Limitations

The subjectivity in this study in determining the ISR index. The difference in results for the next researcher is likely to occur because there are no definite benchmarks in determining the items in the ISR indicator.

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