

An Analysis of the Sustainability Performance of Indonesian Banks and Islamic Financial Institutions Using a Triple Bottom Line Model

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ARTICLE INFO

Keywords: Sustainability Performance, Triple Bottom Line, Financial Institutions

Received : 09, September

Revised : 16, October

Accepted: 23, November

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ABSTRACT

The Triple Bottom Line-based Sustainability Performance model in Indonesian Islamic banks and financial institutions is the subject of this dissertation research. Using theoretical vantage points from resource dependency theory, interest theory, agency theory, institutional theory, and legitimacy theory, this study investigates the impact of Islamic Corporate Governance (ICG) on Corporate Sustainability Performance (SP), which employs Islamic corporate governance mechanisms. It primarily focuses on sharia board attributes and ownership structure. Regression analysis is done in this study using Eviews 10, and thirteen recommendations are made to enhance sustainability performance. By visiting each company's official website and the website www.idx.co.id, secondary data was gathered. 49 Islamic financial institutions that were registered with the OJK between 2016 and 2021 comprised the research sample of Indonesian Islamic banks and financial institutions. Data from financial reports were used for six years, making 294 total samples of data from the panel.

INTRODUCTION

Corporate Sustainability (CS) is a topic that is getting a lot of attention right now. Global interest in corporate sustainability (CS) has increased dramatically in the last few years (Shad et al., 2020; Islam et al., 2019). Sustainability risk is one of the major global risks that exist today, according to the World Economic Forum's global risk report (Schwab, 2018; Shad et al., 2020). In order to achieve sustainability, which is a company's duty to its stakeholders (Morioka & Carvalho, 2016; Merino, 2019; Zaid et al., 2020), corporate social responsibility (CS) integrates economic, social, and environmental aspects. This is also known as the Triple Bottom Line (TBL), as mentioned in studies (Zaid et al., 2020; Elkington, 1997). According to Morioka and de Carvalho (2016), the TBL approach synchronizes business operations with the objectives of sustainable development.

Approximately 43% of the studies published in recent years were about TBL, 40% were related to the environment, 2% focused on social aspects, and 15% were related to Bastas & Liyanage's (2018) thorough systematic literature review on TBL. The assessment and conservation of sustainability has broadened its global scope in terms of social and environmental dimensions. With time, the idea of maximizing profits evolved into the Triple Bottom Line idea, also known as the 3P (profit, people, and planet) that Elkington (1994) put forth. The primary foundation of industry is the 3P principle, which ensures that it prioritizes community welfare and environmental conservation over just financial profits (Madona & Khafid, 2020).

In order to achieve sustainable development, it is believed that the 3P paradigm represents the primary turning point in the development of a sustainable business. Currently, corporate actors must fulfill their social obligations in connection with developing industries' sustainable implementation (Zahid et al., 2020).

The primary turning point in creating a sustainable business to achieve sustainable development is believed to be the adoption of the 3P paradigm. Currently, business actors must fulfill their social obligations in connection with sustainable implementation in developing industries (Zahid et al., 2020).

With the end of the 20th century, and especially following the global financial crisis in 2008 and the economic crisis in 1997, a number of issues pertaining to corporate governance gained notoriety in Indonesia. One of the factors that was supposed to set off the 1998 Asian crisis was the absence of sound corporate governance, which in turn caused the macroeconomic foundations to become extremely brittle. Investors suffered significant losses as a result of Indonesian banks' inability to practice sound corporate governance (Nugraheni & Khasanah, 2019).

Sustainability reporting is defined by the Global Reporting Initiative (GRI) as a method of measuring, reporting, and holding stakeholders accountable for an organization's performance in reaching sustainable development goals. In Indonesia, Sustainability Reports were first voluntary, and only a small number of industries have disclosed them at this point (Adhipradana & Daljono, 2013).

THEORETICAL REVIEW

Theory of Resource Dependency

This idea clarifies how outside resources affect the decisions that businesses make. According to this idea, a company is an open system, and in order to reduce reliance and uncertainty for the firm's existence, management and outside parties should establish an interdependent connection. There are four main advantages to the board's resource supply function: (1) The board of directors offers guidance and advice to expedite the company's strategic decision-making process; (2) The board serves as a crucial conduit for communication with the outside world; (3) The board creates relationships and networks with other company stakeholders; and (4) The board contributes to the company's increased legitimacy (Hillman & Dalziel, 2003; Zona et al., 2015).

Theory of Interest

According to this notion, the business as a whole has to benefit its stakeholders. Groups or persons having ties to a firm have an impact on the company's presence, according to Freeman (1984). Stakeholder, agency, signal, and legitimacy theories are frequently discussed in relation to sustainable performance (Clifton & Amran, 2011). In order to satisfy agreements with stakeholders, information disclosed in annual reports or sustainability reports is disclosed (Vionita et al., 2019). A stakeholder theory was put out by Clarkson (1995) to assess and analyze sustainability performance as it takes management's involvement in effective disclosure into account. Stakeholder theory is appropriate for businesses that operate in developing nations, such as Indonesia. Protecting stakeholders' interests and giving them confidence that management will make decisions that are advantageous to all parties is a key responsibility of management.

Validity Theory

A corporate management strategy that puts the interests of the people, the government, and society first is known as legitimacy theory. In terms of environmental and social disclosure, this idea clarifies why there is a social compact between businesses and society. The legitimacy theory offers guidelines for businesses to follow in order to make sure that their operations and output are deemed acceptable by society. Companies publish yearly reports to demonstrate their environmental responsibilities and to get public acceptance for their presence (Indarto & Ghozali, 2016). One way for a business to achieve social and environmental legitimacy is by disclosing its social and environmental initiatives. By doing this, the firm will build trust, which will increase its sustainability as a business (Bose et al., 2018; Zaman et al., 2021). Companies may preserve and legitimate their existence from an economic and political standpoint by disclosing their annual reports and sustainability reports. The notion of legitimacy provides an explanation for the choices managers make regarding corporate social disclosures.

Theory of Institutions

The reasons why organizations are reluctant to reveal sustainability information are explained by institutional theory. The fundamental idea that changes in management and organizational behavior typically result from more than just logical judgments but also from outside factors is illustrated by the awareness of information disclosure (Bose et al., 2018). This theory offers lucid analytical insights to investigate the influence of external elements that might be catalysts for sustainable business operations, so aiding in the comprehension of the disclosure of corporate sustainability performance (Lindenberg, 1998).

The Theory of Shariah Enterprise (SET)

The theory underlying the earlier enterprise theory has been improved upon by this theoretical notion. The foundation of the idea that God is the primary source of trust and that the resources held are subject to a duty in the usage, methods, and purposes chosen by the one who bestows trust is a fundamentally essential postulate. As of 2021, Jamaluddin According to Meutia (2010), the concept of SET encompasses a wide range of responsibility, including accountability to God, other people, and the natural world. It would be more suitable to apply the idea of SET to explain social responsibility reporting, particularly for Islamic financial institutions, after considering the features of SET that have been stated. In order to provide a viable alternative to the capitalist economic system, Sharia Bank was founded. As such, it may significantly contribute to the material, spiritual, social, and economic well-being of all parties involved. Meutia et al. (2010) state that social responsibility reporting will reveal the extent to which sharia banking can perform its primary function.

Corporate Governance in Sharia

In several aspects, Islamic Corporate Governance (ICG) is similar to traditional governance, such as corporate oversight and control. However, the current state of ICG demonstrates the importance of CG mechanisms in attaining sustainable performance as well as the adoption of Islamic principles and standards. Researchers studying corporate governance and sustainability have garnered the interest of policy makers, practitioners, and academics more and more in recent years. The usefulness of corporate governance instruments in enhancing sustainable capacity performance has been the subject of various studies, including those by Natiti (2019), Zahid et al. (2020), Sarea & Hanefah (2013), Adel et al. (2019), Hamad et al. (2020), and Hussain et al. (2020). Board size, board reliance, board competency, and board meetings are the most often used variables to depict corporate governance in conventional governance (Ajili & Bouri, 2018b; Bukhari, 2013).

Corporate governance and Sharia governance are the two components of ICG. Sharia governance ensures that newly introduced goods and services adhere to Islamic laws and regulations by use of the Sharia Supervisory Board (DPS), which is the body that provides fatwas (Sharia opinions). Keeping in mind that corporate governance, where the board of directors serves as a check and balance mechanism, ensures responsibility, transparency, and business

efficiency. The dual board system used in sharia banking refers to both the sharia board and the regular board.

There is significant interest in the Islamic finance industry to optimize financial performance, supervisory measures, and regulatory instruments, as evidenced by recent theoretical and practical breakthroughs in the field of ICG. Numerous studies have been carried out, such as those by Ginena (2014), Mansour & Bhatti (2018), and Abdel-Baki & Leone Sciabolazza (2014). Authors such as Bukhari et al. (2020), Farook et al. (2011), Grassa (2016), Abdullah (2020), Buallay (2019), Samra (2022), Shibani & De Fuentes (2017), and Chazi et al. (2018) provided a number of empirical contributions. This article examines issues in the areas of sharia compliance and corporate governance management of Islamic financial organizations. The variety of their conclusions shows how the ICG method is still relevant and how its principles may be broadly applied to a variety of jurisdictions, including places with a majority of Muslims and locations with a minority population.

METHODOLOGY

Regeneration Analysis of Panel Data

Panel data, which is a blend of cross-sectional and time series data, is analyzed in this study. While time series data is gathered over time on a single person, cross section data is gathered over time on several persons. Regression analysis with panel data involves gathering data separately (cross section) and tracking it over time (time series). Cross-sectional and time series data are combined to create panel data (Mahulete, 2016). Here is the regression equation:

$$Y_{it} = \alpha + \beta_1 DSI + \beta_2 UDS + \beta_3 RDS + \beta_4 KKB_t + \beta_5 KGR + \beta_6 AAOIFI + \beta_7 KI + \beta_8 DS.KI + \beta_9 UDS.KI + \beta_{10} RDS.KI + \beta_{11} KKB.KI + \beta_{12} KGR.KI + \beta_{13} AAOIFI.KI$$

RESULTS

Analysis of Descriptive Statistics

In order to assess data, descriptive statistics are statistics that describe or illustrate the data as it has been obtained, with no attempt to draw universally recognized conclusions or generalizations. Using descriptive statistical analysis, the average, maximum, minimum, and standard deviation of the study sample are all intended to be described. Using data processed through the E-Views 10 application, the following variables are used to proxy Sharia Board (DS) attributes: Independent Sharia Council (DSI), DS size (U_DS), DS Meetings (R_DS), DS gender diversity (KGR), and existence of a sustainability council (KKB). Sustainable performance is measured by sustainability performance (SP). and the use of AAOIFI (ISR), institutional ownership (KI), AGE, and SIZE as moderating variables, as well as SIZE as a control variable, it is possible to determine the average (mean), with the lowest value displayed in Table 1.

	SP	DSI	UDS	RDS	KKB	KGR	AAOIFI	KI	UMUR	TA
Mean	0.350	0.520	5.034	30.605	0.731	0.105	0.497	0.826	1.545	28.537
Maximum	0.553	1.000	12.000	115.000	1.000	0.444	1.171	1.000	1.903	33.370
Minimum	0.146	0.000	2.000	0.000	0.000	0.000	0.171	0.076	0.477	16.385
Std. Dev.	0.099	0.157	1.858	21.665	0.444	0.113	0.119	0.245	0.262	4.238
Skewness	-0.175	0.341	1.383	1.337	-1.044	0.949	0.279	-1.198	-1.587	-1.415
Kurtosis	2.108	3.695	5.137	4.959	2.089	3.017	5.556	3.007	4.768	5.345
Jarque-Bera	11.23	11.620	149.640	134.595	63.526	44.095	83.858	70.267	161.621	165.435
Probability	0.004	0.003	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Sum	102.907	153.096	1480.000	8998.000	215.000	31.094	146.400	243.005	8389.938	454.501
Sum Sq. Dev.	2.875	7.239	1011.660	137538.2	57.772	3.780	4.181	17.681	5262.586	20.266
Observations	294	294	294	294	294	294	294	294	294	294

Source: Eviews 2023 data processing

Tabel .1 Statistik Deskriptif

According to Table 1, the average sustainability performance (SP), which is determined by looking at three different factors – economic, environmental, and social performance – is 35% for Indonesian sharia banks and other financial institutions. The SP value is 9.9% off from the typical SP value, according to a standard deviation value of 0.099. Banks and sharia financial institutions that pass the sustainability performance evaluation using the GRI index can have a maximum SP rating of 55.3%. The sustainability performance (SP) variable has an overall minimum value of 14.6%. Indonesian sharia banks and financial institutions have an average value of independent sharia board composition compared to the total number of boards. commissioner by 52%, which can be explained by looking at the Independent Sharia Board variable, which is measured by comparing the number of independent sharia boards with the total number of board members. The minimal value of 0.000 for the sharia board independence variable indicates that all sharia banks and financial institutions in Indonesia have an independent sharia board composition. On the other hand, a maximum value of 100% denotes the existence of sharia banks and financial institutions with an independent sharia board whose membership consists of the same individuals as the board as a whole. According to OJK governance regulations, companies must have at least 30% of their board of commissioners be independent (Nugraheni & Khasanah, 2019) relative to the total number of commissioners. Therefore, based on this research, it can be concluded that the average company has a number of DKI in compliance with the established regulations. The independent board of commissioners variable is homogenous if the standard deviation value is less than the total average value, as indicated by the DKI standard deviation value of 16%.

Since the size of the board of commissioners is determined by the number of members, the average value of the UDS variable is 5,034 rounded to five. It makes sense that a typical firm employs five sharia board members, each of whom serves for a single term. Members of the board of directors are selected for a specific period of office and are eligible for reappointment. These board members are chosen and removed by the GMS. Because the minimum value for the variable size of the sharia board (UDS) is two, any Indonesian sharia bank or financial institution can only have a sharia board consisting of two members. The maximum value of 12 for the sharia board size variable

indicates that sharia banks and financial institutions have a sharia board with 12 members in office. The board of directors variable is homogenous as the DS standard deviation value of 1,858 is less than the overall average value.

The minimal value of 0.000 for the sharia board meeting (RDS) variable indicates that the sharia board did not convene any meetings within a given year. The highest figure displayed by RDS is 115, indicating that the sharia board convenes 115 times year. The average number of board of directors meetings held by sharia banks and financial institutions in a year is 30,605 according to the mean value of the RDS. This indicates that the company has held more meetings than the minimum number required by OJK regulations, which stipulates that the sharia board is mandatory. convene twice a year for board meetings. The minimal value of 0.000 for the sharia board meeting (RDS) variable indicates that the sharia board did not convene any meetings within a given year. The highest figure displayed by RDS is 115, indicating that the sharia board convenes 115 times year. The average number of board of directors meetings held by sharia banks and financial institutions in a year is 30,605 according to the mean value of the RDS. This indicates that the company has held more meetings than the minimum number required by OJK regulations, which stipulates that the sharia board is mandatory. convene twice a year for board meetings.

The sustainability committee variable (KKB) has a maximum value of 1, indicating that a bank or sharia financial institution exists, and a minimum value of 0.000, indicating that a bank or sharia financial institution does not have a sustainability committee. 73% of banks and sharia financial institutions in the whole sample have a sustainability committee, according to the mean value of the KKB, which is 0.731. The board of directors variable is homogenous as the KKB standard deviation value of 0.444 is less than the overall average value.

The gender diversity variable (KGR) has a maximum value of 0.444, indicating that a company has a level of the percentage of women on the board of directors of 0.444, or 44%. The minimum value of 0.000 indicates that there are those in Indonesian banks and sharia financial institutions who do not have gender diversity in board members who focus on female gender. With a standard deviation value of 0.113 for the gender diversity variable, the mean value of KGR is 0.105, meaning that the average firm has gender diversity that focuses on women on the board, with fewer than 20% of the number of board of directors serving in the company, or just 10.5%.

The AAOIFI standard implementation variable (ISR) has a minimum value of 0.171, meaning that Islamic social responsibility is implemented by banks and sharia financial institutions in accordance with AAOIFI requirements; the highest ISR value is 0.17 (17%). The standard deviation value of 0.119 indicates that the ISR value has experienced deviations, amounting to approximately 0.119 or 11.9% of the overall average ISR value. The average (mean) ISR value is 0.497, meaning that sharia banks and financial institutions have an average AAOIFI standard implementation percentage of 49.7% of all existing ISR indicators.

The institutional ownership (KI) variable has two possible values: a minimum of 0.076, which indicates that institutions own shares of the total number of outstanding shares, and a maximum of 1, which indicates that institutions hold all of the outstanding shares. With a mean value of 0.826 for KI, banks and sharia financial institutions can claim ownership of 82.6% of their circulating shares. The institutional ownership variable is homogenous if the KI standard deviation value of 0.262 is less than the overall average value.

The bank age variable shows a minimum value of 0.477, and a maximum value of 1.903. The mean value of 1.545 with a standard deviation value of 0.262 is smaller than the overall average value, which means that the bank age variable is homogeneous.

The size of the firm variable (Size) has a mean value of 28,537 and a lowest value of 16,285. The firm size variable is homogenous because its average, or mean, value is 28,537 and its standard deviation is 4,328, which is less than the total average value.

Panel Data: Regression Analysis

Table 2: Regression Results of the Common Effect Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0,212622	0,051704	4,112283	0,0001
DSI	-0,074875	0,031558	-2,372654	0,0183
UDS	-0,013124	0,002838	-4,624879	0,0000
RDS	-0,000316	0,000242	-1,302099	0,1939
KKB	0,016694	0,011841	1409887	0,1597
KGR	-0,177310	0,045432	-3,902745	0,0001
ISR	0,355321	0,041169	8,630745	0,0000
KI	-0,036429	0,020055	-1,816443	0,0704
TOTAL_ASET	0,001146	0,001220	0,939440	0,3483
UMUR	0,051192	0,019816	2,583416	0,0103

Table 3: Regression Results of the Fixed Effect Model (FEM)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0,212274	0,148524	-1,429228	0,1543
DSI	-0,050091	0,021377	-2,343188	0,0200
UDS	0,001123	0,003766	0,298054	0,7659
RDS	-9,17E-05	0,000170	-0,538345	0,5908
KKB	-0,015393	0,016669	-0,923447	0,3567
KGR	0,182934	0,038818	4,712568	0,0000
AAOIFI	0,166299	0,035876	4,635324	0,0000
KI	-0,016165	0,033532	-0,482083	0,6302
TOTAL_ASET	-0,005888	0,004027	-1,461925	0,1451
UMUR	0,437291	0,068508	6,383092	0,0000

Table 4: Results of the Random Effect Model (REM)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0,141978	0,082471	1,721555	0,0862
DSI	-0,050494	0,020648	-2,445530	0,0151
UDS	-0,004925	0,003242	-1,519068	0,1299
RDS	-8,33E-05	0,000164	-0,507446	0,6122
KKB	-0,001465	0,014038	-0,104348	0,9170
KGR	0,137175	0,036240	3,785176	0,0002
AAOIFI	0,243488	0,031713	7,677767	0,0000
KI	-0,008153	0,027174	-0,300025	0,7644
TOTAL_ASET	-0,003181	0,002248	-1,415250	0,1581
UMUR	0,145231	0,037084	3,916282	0,0001

Results of the Moderated Regression Analysis/MRA Test

In this study, pure moderation is tested using Moderated Regression Analysis (MRA), which is accomplished by creating interaction regressions in which the moderating variable does not serve as an independent variable (Indarto and Ghozali, 2016).

Table 5: Results of the MRA Test with KI

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0,065340	0,117495	-0,556110	0,5787
DSI	0,008005	0,059573	0,134379	0,8932
UDS	0,006536	0,010559	0,618962	0,5365
RDS	-0,000767	0,001275	-0,601058	0,5484
KKB	0,044504	0,050357	0,883770	0,3777
KGR	-0,124470	0,135951	-0,915551	0,3609
AAOIFI	0,779377	0,157430	4,950636	0,0000
KI	0,320798	0,130125	2,465307	0,0144
X1_Z1	-0,070488	0,072663	-0,970064	0,3330
X2_Z1	-0,006100	0,012128	-0,502945	0,6155
X3_Z1	0,000772	0,001326	0,582403	0,5609
X4_Z1	-0,056725	0,064866	-0,874502	0,3827
X5_Z1	0,364064	0,156982	2,319140	0,0213
X6_Z1	-0,563086	0,169681	-3,318498	0,0011

DISCUSSION

The Impact of the Independent Sharia Board on the performance of Sustainability

Independent sharia boards are crucial in addressing matters like offering direction on information disclosure and managing organizational operations with a focus on social and environmental performance. The study's findings suggest that Indonesian banks and other sharia financial institutions'

sustainability performance may be impacted by the appointment of an independent sharia board. It is well known that senior management in banks and other financial organizations sometimes prioritizes short-term cash profits over social responsibility and environmental duties.

The management may under pressure from an independent board to uphold socioeconomic policies. This study confirms the findings of earlier studies by Michelon and Parbonetti (2012) and Saha and Akter (2013), who found a connection between independent sharia boards. sustainability in action.

Elgattani & Hussainy (2020); Hashim et al., (2015); Zahid et al., (2020); Naciti (2019) have all conducted research that supports the idea that independent sharia boards have an impact on sustainability performance. Additionally, Post et al. (2011) found a positive correlation between board independence and environmental performance.

The Impact of Sharia Board Dimensions on Sustainability Outcomes

According to a number of study findings, there is still no correlation between board size and governance (Ahmed et al., 2006; Amran et al., 2014). According to Bose et al. (2018), huge boards are less effective at governance. The findings of this study can be interpreted as follows: the sharia supervisory board remains committed to carrying out its mandate in sharia banking operations, such as creating new financial products, ensuring that sharia operational procedures adhere to sharia principles, and examining sharia bank financial statements. The findings of this study are consistent with those of Rizkiningsih's (2012) investigation, which indicates that UDS has little influence on sustainability disclosure. The sharia supervisory board continues to pay little regard to sustainability performance, as this research indicates.

It is commonly accepted that oversight, control, communication, and decision-making will be less successful the larger the board (Bose et al., 2018). According to Guest's (2009) study, smaller boards tend to have a less varied range of experience than bigger boards, which may have an impact on the caliber of advise given. A smaller board means a greater burden for each member, which might impair their capacity to effectively monitor and regulate, according to John & Senbet (1998). According to Andrés et al. (2005) and Prado-Lorenzo & Sánchez (2010), even if sustainability activities are voluntary, Because group dynamics play a significant role in collective decision making, increased board size is bad for governance effectiveness. handle.

Sharia Board Meetings' Effect on Sustainability Performance

As a result, the frequency of board meetings is typically used as a stand-in for the evaluation of management and supervisory board actions, and it mandates that businesses have frequent board meetings. According to Laksmana (2008), board meetings are frequently utilized as a stand-in for the degree of board activity, including meetings and board discipline. The study's findings indicate that Indonesian Sharia banks and other financial institutions' sustainability performance is unaffected by the frequency of their sharia board meetings. The research findings do not align with the previously developed research premise. According to the study's findings, there is no relationship between the number of board meetings held in a given year and sustainability

outcomes across social, environmental, and economic domains. This may be explained by the fact that for a whole year, council members met on a regular monthly basis without concentrating on talking about economic, social, and environmental performance at the same time. Board meetings might just be used to talk about the economy's performance; they might not be used to create ways for the firm to address sustainability issues or decide on the company's course of action (Eviyanah, 2018).

The discussion was conducted in a formal manner and did not get into specifics regarding sustainability performance. This might indicate that the Sharia Board Meeting has not sufficiently addressed the company's advancements or the most recent data affecting the company's long-term viability because the meeting is still centered on expanding the company's financial sources. In addition, not every current board member may attend the frequent meetings, which means that when performance issues arise, only a small number of people show up, invalidating decisions made on certain issues (Syafiqurrahman et al., 2014).

The Impact of a Sustainability Council's Existence on Sustainability Performance

The test findings demonstrate that banks' and sharia financial institutions' sustainability performance is neither positively and significantly impacted by the variable existence of a sustainability board. The board's focus on and dedication to sustainable development is reflected in the formation of a sustainability committee. According to Ricart et al. (2005), a company's commitment to sustainability may be inferred from the committee's existence. According to their interpretation, it refers to the distribution of beneficial resources for improved stakeholder management through the promotion of sustainable business strategies.

Board Diversity's Effect on Sustainability Performance

According to the study's findings, banks and Islamic financial institutions perform better in terms of sustainability when there is a gender diversity on their boards. The findings of this study support the previously proposed concept. There are several ways to interpret the makeup of a board, but they mainly have to do with its size, diversity in terms of gender and the proportion of insiders compared to outsiders, and other factors. Diversity on boards – more especially, the variations in viewpoints among board members – is associated with sustainable performance as well. This attribute improves governance representativeness. Growing social sustainability approach has improved the proportion of women on boards as a diversity indicator (Wang & Coffey, 1992).

The study's findings demonstrate that board diversity can enhance sustainability performance. The gender diversity variable has a significant impact in board decision making regarding the submission of sustainability reports, which helps to explain the gender diversity in Indonesian sharia banks and financial institutions. Effective monitoring functions are driven by

experience and skills (Fama & Jensen, 1983). A larger proportion of female directors is anticipated to promote the sharing of sustainability performance data more widely, which will lessen information asymmetry and the agency issues that follow (Vitolla, Raimo, & Rubino, 2020). Similar to this, gender diversity on boards may help provide more resources and improve a company's legitimacy and reputation from the standpoint of resource dependence theory (Vitolla, Raimo, Rubino, et al., 2020).

Because they have a wider view on decision-making and resources, organizations with more female directors can increase sustainability performance, according to empirical evidence presented by Chanutup et al. (2020). In line with these findings, data presented by Hichri (2022) demonstrates that the degree of sustainability performance disclosure increases with the percentage of female directors. Regarding the caliber of sustainability performance, Iredele (2019) found that the presence of more female directors in international corporations appears to stimulate disclosure of higher caliber sustainability performance. However, a number of empirical research have discovered a negligible association between the disclosure of sustainability performance and the percentage of female board members (Girella et al., 2019). According to a study by M. Kılıç et al. (2021), businesses that have a higher proportion of female directors typically disclose sustainability performance data less frequently. Better corporate decision-making and improved economic, social, and environmental performance are correlated with a diverse board (Zahid, Rahman, et al., 2020).

CONCLUSIONS

1. The sustainability performance of Indonesia's sharia banks and financial institutions is significantly impacted by the establishment of the AAOIFI, gender diversity, and an independent sharia council.
2. The sustainability performance of Indonesia's sharia banks and financial institutions is unaffected by the size of the sharia board, board meetings, or sustainability committees.
3. The link between gender diversity, AAOIFI implementation, independent sharia boards, and social sustainability performance can be moderated by institutional ownership.
4. The size of the sharia board, the meetings of the sharia board, and the sustainability committee's report on sustainability performance cannot be regulated by institutional ownership.

FURTHER STUDY

The first limitation of this research is that institutional ownership variables are used as moderating variables to measure corporate sustainability using the Triple Boot Line approach in Indonesian sharia banks and financial institutions. The sharia board attributes, which are proxied for corporate sustainability variables, only examine the independent sharia board variables, board size, meetings, board diversity, and the implementation of AAOIFI.

ACKNOWLEDGMENT

I express my gratitude to the research team for their participation in this study. We are grateful to the university and associates for their unwavering support in seeing this project through to completion.

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