

The Effect of Sharia Supervisory Board Characteristics and Sharia Compliance on Islamic Social Reporting Disclosure (Financial Performance as a Moderating Variable)

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ABSTRACT

The purpose of this study was to examine the effect of characteristics of the sharia supervisory board and sharia compliance on Islamic Social Reporting reporting with financial performance as a moderating variable on sharia compliance. The type of quantitative research with the sample used in this research is Sharia Commercial Banks in 2017-2022 with a total 80 samples. This study uses three stages of data analysis to determine the most appropriate multiple linear regression model. The tests carried out consisted of the Hausman test, the Breusch and Pagan multiplier test, and the Chow test. Based on these three models, it shows that this study will use the ordinary least square model. Then the diagnostic test, namely normality test, multicollinearity, heteroscedasticity.

INTRODUCTION

Business people in running their business do not pay much attention to the environment because according to them the products they produce have no effect on the environment (Kraus et al., 2020). Corporate Social Responsibility (CSR) is a strategy used by companies to accommodate the interests of their stakeholders. based on Law Number 40 of 2007 concerning Limited Liability Companies (UU PT) article 1 paragraph 3 which explains that CSR is a company's commitment to play a role in sustainable economic development. This aims to improve the quality of society and a more beneficial environment. According to Friendly & Anita, (2022) companies only consider CSR as reporting financial performance so they don't pay attention to the social problems around them.

With the increasing need for literacy regarding social responsibility disclosure and reporting in companies whose operational activities are carried out based on sharia principles, including in sharia banking, there is an appropriate concept for assessing social responsibility disclosure, namely using the Islamic Social Reporting (ISR) index. Opinion from Rizfani & Lubis (2018) States that *Islamic Social Reporting (ISR)* is one way to show full openness in an Islamic context. In Indonesia, ISR disclosure is still relatively low, this can mean that the company's awareness in providing information to its stakeholders is still lacking. In addition, companies that adhere to sharia principles should have a higher level of awareness in providing information to Muslim stakeholders. The absence of an increase in the ISR index could be an indication that the company is not doing enough evaluation to improve its business in providing information regarding its operational activities using sharia principles to parties who need it (Prihatiningtias et al., 2022).

The Financial Services Authority stated that as of May 2021 the market share of sharia banks in Indonesia had only reached 9.96% overall, both banking, non-banking and capital markets were still very behind compared to conventional banks. The lack of public interest in choosing sharia products compared to conventional products and the low level of financial literacy in society is one of the reasons why the market share of sharia banks is still quite low. www.cnnindonesia.com. In December 2022, there was also a case at one of the Sharia Commercial Banks where there was a misunderstanding regarding the public's perception of Islamic banks regarding the lack of public preference and interest in using Islamic banks, partly due to the negative stigma regarding Islamic banks that emerged in the community. Firstly, according to the public, sharia banks are not considered one hundred percent sharia. The contract is Islamic, but the practice is the same as conventional banks. Second, payment of financing installments at sharia banks is considered more expensive than credit through conventional banks. Third, sharia banking offices and services are limited to big cities and there is minimal information about sharia banking products www.new.detik.com. Seeing this phenomenon is a concern for companies so that apart from carrying out social responsibilities such as CSR, they must also comply with the application of Islamic sharia principles in all

their business and operational activities. (Marharani & Yulianto, 2016). Research on sharia banking is important, especially regarding CSR disclosures that use the Islamic Social Reporting index, because the ISR index can provide information to the public and show the ethical accountability of sharia banking performance to stakeholders to help make relevant decisions.

Based on several studies that have been conducted previously, there are various things that influence the disclosure of Islamic Social Reporting, such as research conducted by Dina Kusuma Priyanti (2020) that the Financial Performance and Characteristics of the Sharia Supervisory Board have a positive influence on the disclosure of Islamic Social Reporting. Likewise with research conducted by Setiawan (2020) that Sharia Compliance has a positive effect on the disclosure of Islamic Social Reporting. This research refers to research Alamsyah (2021) entitled The Influence of Leverage, Profitability and Sharia Compliance on the Disclosure of Islamic Social Reporting of Sharia Commercial Banks registered with Bank Indonesia for the 2015-2019 period and research Setiawan (2020) with the title The Influence of the Characteristics of the Sharia Supervisory Board and the Size of the Board of Commissioners on the Disclosure of Islamic Social Reporting. The latest in this research is specifically testing and analyzing the factors that influence the disclosure of Islamic Social Reporting, adding the Financial Performance variable in moderating the relationship between Sharia Compliance and Islamic Social Reporting as well as the use of different analytical tools, namely the STATA Software version 17. This research was conducted at the Bank General Sharia registered with the Financial Services Authority (OJK) with reference to the annual report for the 2017-2022 period.

LITERATURE REVIEW

Sharia Enterprise Theory (SET)

Sharia Enterprise Theory (SET) is the most appropriate theory to explain corporate social responsibility, especially those based on Islam such as sharia banking, because it makes Allah the main source of trust, while the resources owned by other stakeholders are actually a trust from Allah in which there is a responsibility to utilize and manage them. well based on the provisions determined by Allah SWT.

SET has the function of helping stakeholders to understand the implementation of CSR related to Islam (Sidik & Reskino, 2016). The SET concept refers to all world activities carried out by companies not only responsible to humans and nature but also to Allah as the highest center of responsibility (Triyuwono, 2006). Therefore, according to the view (Sidik & Reskino, 2016) before humans return to Allah, humans must be responsible for all the trust He has given. In this research, Sharia Enterprise Theory (SET) assesses how the principles, Sharia Supervisory Board (SSB), and Sharia

Compliance are applied to Islamic Social Reporting (ISR) disclosures, because basically Islamic-based companies should carry out social obligations appropriately and relevantly. Therefore, Sharia Enterprise Theory is very compatible with economic systems that contain Islamic values, one of which is sharia banking (Musthafa et al., 2020).

The Effect of the Size of the Sharia Supervisory Board on Islamic Social Reporting

The size of the Sharia Supervisory Board is the number of internal sharia supervisors from Sharia Banking institutions. The Sharia Supervisory Board (SSB) is tasked with supervising the business activities of sharia financial institutions so that they comply with sharia principles that have been issued by the National Sharia Council (NSC). The larger the size of the sharia supervisory board, the higher the supervision carried out so that the sharia financial institutions in this research, namely sharia banking, will try to improve company performance and tend to disclose Islamic social reporting more widely. This hypothesis is in line with SET which states that companies and DPS must place Allah as the main peak of power, apart from that the resources owned by stakeholders are actually only entrusted to which there is an obligation to manage them well based on sharia provisions (Anwar & Rajab, 2019). The results of research conducted by Dina Kusuma Priyanti (2020) show that the Sharia Supervisory Board variable has a positive effect on Islamic Social Reporting.

The Effect of Education Level of the Sharia Supervisory Board on Islamic Social Reporting

The education level of each member of the Sharia Supervisory Board is a factor that can influence the disclosure of Islamic Social Reporting. Members of the Sharia Supervisory Board who have studied up to third grade will have analytical, professional skills and qualifications and can provide opinions that are much more effective to meet the needs of stakeholders (Setiawan, 2020). This hypothesis is in line with Sharia Enterprise Theory (SET) where this theory states that the higher the education of a DPS, the greater the management will be to carry out good disclosures. Based on research results from (Mukhibad, 2018), the education level of the Sharia Supervisory Board has a positive effect on the disclosure of Islamic Social Reporting.

The Effect of the Number of Sharia Supervisory Board Meetings on Islamic Social Reporting

According to Bank Indonesia Regulation Number 11/33/PBI/2009 article 49 paragraph 1, members of the Sharia Supervisory Board are required to hold meetings at least once a month as a means of deliberation in decision making. Based on the research results of Meutia et al. (2019) it is stated that SSB member meetings have a positive and significant effect on disclosure in sharia banks, this is because the more the number of SSB member meetings, the more time for SSB to discuss topics related to Islamic Social Reporting in reports bank

annual. This hypothesis is in line with Sharia Enterprise Theory (SET) which states that the more frequently the DPS holds meetings, the higher the disclosure of ISR.

The Effect of Sharia Compliance on Islamic Social Reporting

According to Lestari (2020) sharia compliance is the application of Islamic principles in financial transactions, banking and other related businesses. Islamic banks need to comply with sharia rules in their operational practices in the field. Sharia compliance is a manifestation of the fulfillment of all sharia principles in an institution that has the characteristics, integrity and credibility of a sharia bank. This hypothesis is in line with the Sharia Enterprise Theory which is very suitable for economic systems that contain sharia values, one of which is sharia banking (Musthafa et al., 2020). Based on the research results of Setiawan (2020), it is stated that Sharia Compliance has a positive effect on Islamic Social Reporting.

Financial Performance Strengthens The Positive Effect Of Sharia Compliance On Islamic Social Reporting

Financial performance is achieving a good balance between debt and capital. The role of debt is very large in the economy, government, entrepreneurs and individuals to finance many things using debt. Bank performance is a description of the achievements obtained by the bank in its operations, both regarding financial aspects, marketing, collecting and distributing funds, technology and human resources (Resmawati et al., 2022). This hypothesis is in line with the Sharia Enterprise Theory which is very suitable for economic systems that contain sharia values, one of which is sharia banking (Musthafa et al., 2020). In this case, financial performance moderates the influence of sharia compliance on Islamic Social Reporting in accordance with the research results of Resmawati et al.(2022) which revealed that Sharia Compliance has a positive effect on Financial Performance.

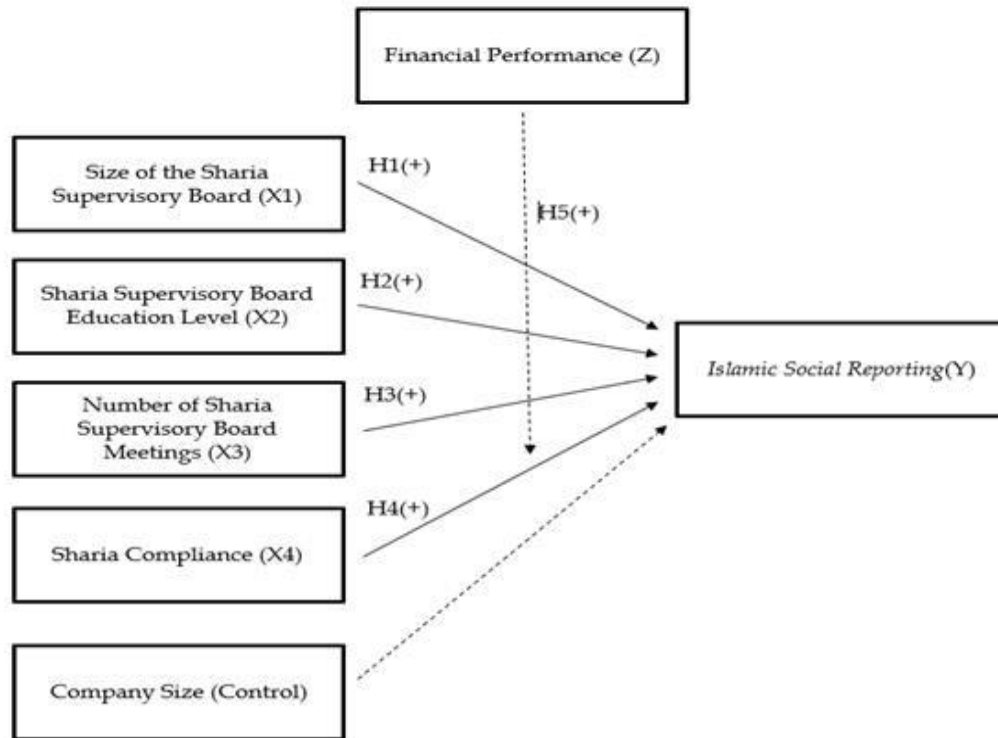


Figure 1. Conceptual Framework

METHODOLOGY

Data and Sample

This study uses secondary data sourced from the company's annual report through the official website of the Financial Services Authority and the website of each Islamic banking. The data collection technique uses the census method, meaning that all existing samples are used. However, the number of years is not balanced for all banks. The sample in this study consisted of all Islamic Commercial Banks throughout Indonesia for the period 2017 to 2022 with a total of 80 samples.

Size of the Sharia Supervisory Board

The quantity of SSB members in a bank can be called the size of the sharia supervisory board. SSB is obliged to supervise bank operations so that they are in sync with relevant sharia regulations and provide suggestions to the board of directors, this is regulated in Bank Indonesia regulation no. 11/33/PBI/2009 regarding the implementation of corporate governance, sharia commercial banks and sharia business units. Sourced from Law no. 40 of 2007 concerning limited liability companies and good corporate governance, there must be a minimum of two SSB people in a company. The frequency of SSB size can be calculated using the following calculation (Setiawan, 2020):

$$\text{Size of the Sharia Supervisory Board} = \sum \text{SSB}$$

Sharia Supervisory Board Education Level

The educational background of SSB members in Islamic banks has a big impact. A highly educated Sharia Supervisory Board has stronger and more advanced analytical competence, is able to make efficient decisions, and is able to decide whether a regulation implemented by a sharia banking is in line with sharia principles or not (Setiawan, 2020).

The formula below can be used to determine the SSB education level (Setiawan, 2020):

$$\text{Sharia Supervisory Board Education Level} = \sum \text{SSB Doctoral Degree}$$

Number of Sharia Supervisory Board Meetings

In order to maintain compliance with sharia law, sharia supervisory board meetings can be understood as meetings to plan and discuss matters relating to sharia banking operations (Bank Indonesia Regulation, 2009). Opinion from Fakhruddin et al. (2022) the frequency of SSB meetings can have an impact on the effectiveness of disclosure Islamic Social Reporting considering that the meeting was based on sharia principles. The following formula can be used to measure the number of SSB meetings (Dina Kusuma Priyanti, 2020):

$$\text{Number of Sharia Supervisory Board Meetings} = \sum \text{1 Year SSB Meeting}$$

Sharia Compliance

The application of sharia law for banks is in accordance with statutory policies which are officially known as sharia compliance. The method for evaluating sharia compliance is to examine the disclosures that can be found in published annual reports. The application of sharia principles that ensure justice for all parties involved is one of the characteristics of sharia governance (Elgattani & Hussainey, 2020).

According to research Mukhibad & Nurkhin (2022) composite numbers indicating a bank's Self Assessment rating can be used to measure sharia compliance variables with the following formula:

$$\text{Sharia Compliance} = \text{Self Assessment Rating}$$

Table 1. Description of Self-Assessment Ranking

Self Assessment Rating	Mark
1	5
2	4
3	3
4	2
5	1

A Sharia Financial Institution that has a high ranking means the opportunity for disclosure of Islamic Social Reporting is better and conversely, if it gets a lower ranking, the opportunity for disclosure of Islamic Social Reporting is reduced.

Islamic Social Reporting

Based on research Nurhabibie et al. (2023) Islamic Social Reporting (ISR) is in harmony with sharia law regarding the parameters of social disclosure. According to previous literature and research, the scope of the ISR index generally consists of 6 indicators which include funding and investment, products and services, employees, society, environment and corporate governance.

According to (Cahya, 2018), economic reports that apply sharia contract law, namely not containing injustice, usury, maysir, gharar, non-halal goods and dangerous goods, are among the indicators in disclosing the ISR index. In this research, ISR disclosure measurement uses 48 items that refer to research (Nurhabibie et al., 2023). ISR disclosure is carried out using a dummy or scoring system with a score of 1 or 0. The index used comes from further adjustments made to previous research disclosure items. The following formula can be used to calculate ISR (Fakhruddin et al., 2022):

$$ISR = \frac{\sum \text{Disclosure Score met} \times 100\%}{\sum \text{Score Maximum}}$$

Financial performance

Achieving a good balance between debt and equity is known as financial performance. The economies of governments, entrepreneurs, and even individuals are greatly affected by debt. The achievements achieved by the bank in the fields of finance, marketing, collection and distribution of funds, technology and human resources are reflected in the bank's overall performance (Sinta, 2020).

One of the metrics used as a basis for assessing bank financial performance is Return On Assets (ROA). Management's ability to generate profits is reflected in ROA. Increasing good asset utilization in a company is influenced by the size of ROA, resulting in higher profit margins obtained (Wahyuni & Pujiharto, 2018).

ROA can be used to measure financial performance in the following ways:

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

Company Size (Size)

Company size (Size) in this research is used as a control variable variable which aims to minimize the bias value. The R-square value in this study which was originally 14.4% became 46.82% after adding the Company size control variable. Opinion from Maqhfirah & Fadhlia (2020) states that companies can

get more profits with less capital because when they have large elasticity there is high ease of substance. Functioning a company like a property is the most efficient method for estimating its size. The formula below which uses Ln from total assets can be used to determine company size (N. P. Lestari et al., 2022):

$$\text{Company Size} = \text{Ln (Total Assets)}$$

Data Analysis Technique

Panel data regression model analysis was used in this research. According to Gujarati & Porter (2010) panel data regression models must be used for testing research that uses panel data. Several tests must be carried out in this research to identify the best type of regression model from three models, namely the ordinary least square model, fixed effect model, and random effect model. The OLS regression model was tested with the RE regression model using the Breusch and Pagan Lagrangian Multiplier test. Besides that, the Hausman test is used to choose which model between the FE model and the RE model is more appropriate, and the Chow test is used to choose the FE model with the OLS model. To prove the assumptions in this research, an equation model was used. Model 1 is used to test whether DPS characteristics and sharia compliance (SC) can influence ISR disclosure. Model 2 is used to test the effect of sharia compliance on ISR disclosure with financial performance as moderation.

The tests that will be carried out in this analysis are as follows:

$$\text{ISR} = \alpha + Q_1\text{SSSB} + Q_2\text{SSBEL} + Q_3\text{SSBM} + Q_4\text{SC} + C + e \dots (1)$$

$$\text{ISR} = \alpha + Q_1\text{SSSB} + Q_2\text{SSBEL} + Q_3\text{SSBM} + Q_4\text{SC} + Q_5\text{SC} * \text{ROA} + C + e \dots (2)$$

Information :

α	= Constant
β	= Regression coefficient
ISR	= <i>Islamic Social Reporting</i>
SSSB	= Size of the Sharia Supervisory Board
SSBEL	= Board Sharia Supervisor Education Level
SSBM	= Number of Sharia Supervisory Board Meetings
SC	= Sharia Compliance
ROA	= <i>Return On Assets</i> (ROA)
C	= Control (Size)
e	= Error remainder

RESULT AND DISCUSSION

Descriptive Statistics

Table 2. Descriptive Statistics Results

Variable	Mean	Std. Dev	Min	Max
ISR	0.8096354	0.0680745	0.6458333	0.9375
SSSB	2.2125	0.4691428	2	4
SSBEL	1.3125	0.9625092	0	4
SSBM	18.7875	13.35939	6	84
SC	2.0875	0.5556101	1	3
ROA	0.7699666	3.235404	-11.22749	11.62557
SIZE	30.2272	1.292119	27.2184	33.35372

A general idea of the distribution of main values and averages can be obtained with descriptive statistics. Variable standard deviation is a measure of how spread out the data is, if a variable has a smaller standard deviation value, it shows that the data is close to its average value. The results of the analysis in table 3 show that the dependent variable Islamic Social Reporting from the 80 samples used has the lowest (minimum) disclosure index of 64% and the highest (maximum) value of 93%. This proves that the better and wider a company's ISR disclosure, the higher the index it meets. On the other hand, if ISR disclosure is said to be bad, the lower the ISR disclosure index that is met will be. In Table 2 it is explained that the average ISR value is 0.8096354, SSB size is 2.2125, SSB education level is 1.3125, number of SSB meetings is 18.7875, sharia compliance is 2.0875, and ROA is 0.7699666 and for the control variable company size is 30.2272.

Preliminary Test

To assess the relationship between the independent variables, namely SSB size, SSB education level, number of SSB meetings and sharia compliance with the dependent variable, namely ISR disclosure and financial performance as a moderating variable for sharia compliance, you can use panel data analysis. In panel data analysis, regression selection is determined by determining the appropriate model. First, to test the FE regression model with the RE model, you can use the Hausman test. Second, testing between the OLS regression model and the RE regression model can use the Breusch and Pagan Lagragian Multiplier tests. Third, testing the OLS regression model with the FE model can be analyzed using the Chow test. These three tests were carried out to produce the most appropriate panel data regression model.

Table 3. Hausman Test Results

	Model 1		Model 2
Chi2(6)	3.63	Chi2 (6)	3.67
Prob > chi2	0.7271	Prob > chi2	0.7218

To test the FE and RE regression model, a Hausman test is carried out with the following hypothesis provisions:

Null Hypothesis = If ($p > 0.05$), then the RE model is appropriate

Alternative Hypothesis = If ($p < 0.05$), then the FE model is appropriate

According to Table 4, models 1 and 2 produce Chi2 values of 3.63 and 3.67 respectively with probability values of 0.7271 and 0.7218. These results show significance ($p > 0.05$), so a conclusion is obtained, the alternative hypothesis is rejected and hypothesis 0 is accepted with a significance level of 5%. This test shows that the Random Effect (RE) model is suitable for the Hausman test.

Table 4. Breusch and Pagan Lagragian Multiplier Test Results

	Model 1	Model 2
Chibar2(01)	1.81	1.75
Prob > chibar2	0.0892	0.0928

The Breusch and Pagan Lagragian Multiplier test can be used to compare the OLS regression model with the RE regression model. The alleged hypothesis is as follows:

Null Hypothesis = If ($p > 0.05$), then the OLS model is chosen

Alternative Hypothesis = If ($p < 0.05$), then the RE model is selected

According to Table 5, model 1 and model 2 produce Chibar2 values of 1.81 and 1.75 respectively with probability values of 0.0892 and 0.0928. The results show a probability ($p > 0.05$) as a result, H_a is rejected and H_0 is accepted with a significance level of 5%. The test results prove the Ordinary Least Square (OLS) regression model chosen in the Breusch and Pagan Lagragian Multiplier Test.

Table 5. Chow Test Results

	Model 1		Model 2
F (14, 59)	1.86	F (14, 59)	1.85
Prob>F	0.0505	Prob>F	0.0517

The Chow test is used to compare the OLS regression model with the FE model, namely with the following hypothesis:

Null Hypothesis = If ($p > 0.05$), then the OLS model is more suitable to use

Alternative Hypothesis = If ($p < 0.05$), then the FE model is more suitable to use

Based on Table 6, models 1 and 2 produce F values of 1.86 and 1.85 respectively with probability values of 0.0505 and 0.0517. These results show significance ($p > 0.05$), as a result, H_a is rejected and H_0 is accepted at the 5% significance level. These results conclude that the OLS model is more suitable for use in the chow test.

Of the 3 model tests that have been carried out, this research will use the Ordinary Least Square (OLS) model in accordance with the Chow Test results.

Normality Test

Table 6. Normality Test Results

	Model 1	Model 2	Information
Z	0.587	0.652	
Prob>z	0.27863	0.25706	Normally Distributed Data

In the normality test there are the following provisions:

Data is normally distributed = prob value > 0.05

Data is not normally distributed = prob value < 0.05

The results of the normality test in Table 6 state that the probability values for models 1 and 2 are respectively 0.27863 and 0.25706, so it can be concluded that it is more than the 0.05 significance level, so that the data in models 1 and 2 can be concluded to be normally distributed.

Multicollinearity Test

Table 7. Multicollinearity Test Results

	Model 1		Model 2		Information
	VIF	1/VIF	VIF	1/VIF	
ISR	2.32	0.431158	2.32	0.430488	Escaping Multicollinearity
SSSB	1.82	0.550583	1.80	0.555632	Escaping Multicollinearity
SSBEL	1.04	0.963455	1.04	0.963462	Escaping Multicollinearity
SSBM	1.10	0.906330	1.10	0.909393	Escaping Multicollinearity

SC	1.09	0.913336			Escaping Multicollinearity
ROA			1.10	0.919997	Escaping Multicollinearity
SIZE	1.54	0.650526	1.53	0.651835	Escaping Multicollinearity

In the multicollinearity test there are the following provisions:

If the tolerance value ($1/VIF$) > 0.10 and VIF value < 10 , then there are no symptoms of multicollinearity

If the tolerance value ($1/VIF$) < 0.10 and VIF value > 10 , then there are symptoms of multicollinearity

Based on the test results in Table 7, it is concluded that the VIF value for the variables SSB Size, SSB Education Level, Number of SSB Meetings, Sharia Compliance, ROA, moderation between Sharia Compliance and ROA, and the control variable SIZE is less than 10 and for the value $1/VIF$ is more of 0.10, it can be said that there are no symptoms of multicollinearity in either model 1 or model 2.

Heterosidasticity Test

Table 8. Heterosidasticity Test Results

	Model 1	Model 2	Information
Full Sample			
Heterosidasticity			
Chi2(1)	0.99	1.01	
Prob > Chi2	0.3192	0.3143	Passed the Heterosidasticity Test

In the heteroscedasticity test there are the following provisions:

There are no symptoms of heteroscedasticity = If Prob >0.05

Heteroscedasticity symptoms occur = If Prob <0.05

Based on the results in Table 8, it can be concluded that the data passed the heteroscedasticity test with a probability value in model one of $0.3192 > 0.05$ and model two of $0.3143 > 0.05$.

Hypothesis Results

Hypothesis testing uses panel data regression model analysis. From the results of the Chow test, it is concluded that this research used the Ordinary Least Square (OLS) panel data regression model to test the hypothesis.

Table 9. Hypothesis Testing Results Model 1

Independent Variable	Dependent Variable				Information
	ISR				
	Coeff	Std. err.	Q	P>t	
Const	-.3341759	.1584513	-2.11	0.038	
ISR	-.0423029	.0188613	-2.24	0.028	Negative Influence
SSSB	.0110599	.0081354	1.36	0.178	No effect
SSBEL	.0001902	.0004431	0.43	0.669	No effect
SSBM	-.0130383	.0109845	-1.19	0.239	No effect
SC	.00179	.0018791	0.95	0.344	No effect
ROA	.0386052	.0055752	6.92	0,000	
R-Square Within	0.4682				
F(6, 73)	10.71				
Prob>F	0.0000				
No. Observations	80				
Significance 5%					

Table 10. Hypothesis Testing Results Model 2

Independent Variable	Dependent Variable				Information
	ISR				
	Coeff	Std. err.	Q	P>t	
Conts	-.3352846	.1582928	-2.12	0.038	
ISR	-.0425571	.0188595	-2.26	0.027	Negative Influence
SSSB	.0112071	.0081612	1.37	0.174	No effect
SSBEL	.00019	.0004431	0.43	0.669	No effect
SSBM	-.0131409	.0109887	-1.19	0.239	No effect
SC	.0007816	.0004958	0.94	0.349	Not Moderating
ROA	.0385813	.0055703	6.94	0,000	
R-Square Within	0.4681				
F(6, 73)	10.71				
Prob>F	0.0000				
No. Observations	80				
Significance 5%					

Hypothesis Test Results 1

Hypothesis 1 is rejected, the results of the analysis are shown in Table 9 model 1 which shows a T value of -2.24 with a probability of 0.028 at a significance level of 5%. It can be concluded that increasing the number of SSB members has a positive impact on ISR disclosure. This is because SSB's duties are only limited to monitoring the consistency of product contracts based on Islamic provisions and do not participate directly in ISR reporting. This is reinforced by ideas Ridwan & Mayapada (2022) who said that the number of SSB members in Indonesia in each sharia banking is still relatively small, namely around 2 to 3 people compared to other countries. The small number of DPS members has a negative influence on the size of the DPS on ISR disclosure.

The conclusion of this analysis is contrary to Sharia Enterprise Theory (SET) because the Sharia Supervisory Board is an external party to the company so it cannot provide more supervision over ISR disclosures carried out by internal parties of the Company. So the results of this hypothesis are not in line with SET which states that companies and SSB must place Allah as the main peak of power, apart from that the resources owned by stakeholders are actually only entrusted to which there is an obligation to manage them well based on sharia provisions.(Anwar & Rajab, 2019). This hypothesis analysis is in line with the research results Lailiyah et al.(2021),Siska et al. (2021), And Herawati et al. (2019).

Hypothesis Test Results 2

Hypothesis 2 is rejected, the test results can be seen from Table 9 model 1 which shows that the T value is 1.36 with a probability of 0.178 at a significance level of 5%. It can be concluded that the DPS education level has no effect on ISR disclosure. Even if the SSB education level is increased by one unit, the contribution that can be made to increasing ISR disclosure is only 13.6%. The third level educational background of SSB members who are not from Muamalah Fiqh, Economics or Banking is the cause. This analysis is also strengthened by the opinion of Fakhruddin (2021) which states that the majority of SSB members appointed by Sharia Bank only have influence as ulama and not because of an economic or banking background.

This research is in contrast to Sharia Enterprise Theory (SET) where this theory states that the higher the education of a SSB, the greater the management will be to carry out disclosures well. The results of this hypothesis agree with research from Setiawan (2020),Hudayati (2021), And Meutia et al. (2019).

Hypothesis Test Results 3

Hypothesis 3 is rejected, the results of the study can be seen in Table 9 model 1 which shows a T value of 0.43 with a probability of 0.669 at a significance level of 5%. This means that in a sharia banking, the number of meetings held by SSB cannot influence the level of disclosure of Islamic Social Reporting in a sharia bank. In carrying out SSB meetings, several BUS have not been held in accordance with the regulations which are required at least once a

month or 12 times a year (Rahmawaty & Helmayunita, 2021). Most of the meetings held by SSB members do not discuss disclosures to banks but rather relate to product suitability and performance evaluation from SSB so that the results of the meetings cannot influence management to make maximum disclosures. (Hidayati, 2021). The absence of SSB members at scheduled meetings was also due to the fact that they held concurrent positions at other Sharia Banks. This allows for clashes in activities so that SSB cannot attend meetings at one bank because they have interests in other banks (Rahayu & Cahyati, 2014). The results of this hypothesis are not in line with *Sharia Enterprise Theory* (SET) which states that the more frequently SSB holds meetings, the higher the disclosure of ISR. The results of this analysis agree with the findings Rahayu & Cahyati (2014), Pramono & Fakhruddin (2019), And Fakhruddin & Jusoh (2018).

Hypothesis Test Results 4

Hypothesis 4 is rejected, the test results can be seen in table 9 model 1 which explains that the T value is 1.19 and the probability value is 0.239 at a significance level of 5%. This can be interpreted as saying that Sharia Compliance does not affect the disclosure of Islamic Social Reporting because if Sharia compliance in Islamic banks is fulfilled properly, then management's perception is that there is no need to try to increase the expansion of Islamic Social Reporting for businesses in gaining trust from the public and stakeholders. The results of this hypothesis are in contrast to the Sharia Enterprise Theory which states that companies are not only connected with nature and humans but also with Allah, the owner of ultimate responsibility. (Triyuwono, 2006). The results of hypothesis 3 are supported by research Eki Putra Alamsyah (2021), Kholif (2021), And Ardevi Sulistyani (2021).

Hypothesis Test Results 5

Hypothesis 5 is rejected, the test results can be seen in table 10 model 2 which shows that the T value is 0.94 with a probability value of 0.349 at a significance level of 5%. This hypothesis is rejected because Financial Performance cannot strengthen the relationship between Sharia Compliance and Islamic Social Reporting disclosure. This means that the amount of assets owned by a Sharia bank will not influence the extent of ISR disclosure. In practice in Islamic banking, there is no need to look at the level of profit or loss because ISR is a manifestation of the company's responsibility towards Allah SWT and the community and other stakeholders. When a bank makes large profits, it tends to feel that there is no need to make social disclosures because the bank has already achieved financial success. Based on Sharia Enterprise Theory explained by Musthafa et al. (2020) there is no influence of financial performance in increasing the positive influence of sharia compliance on ISR disclosure because financial performance focuses more on horizontal accountability (nature and stakeholders) rather than vertical accountability

(Allah SWT). These findings are in line with research Herawati et al. (2019), Yudhantika & Priyadi (2019), And Sulistyawati & Beautiful (2017).

CONCLUSIONS AND RECOMMENDATIONS

Based on the results of research testing, it can be concluded first, the hypothesis results of SSB size have a negative influence on ISR disclosure. Second, DPS education level does not have a positive relationship with Islamic social reporting. Third, the number of SSB meetings does not have a positive relationship with Islamic social reporting. Fourth, sharia compliance does not have a positive relationship with Islamic social reporting. Fifth, financial performance cannot strengthen the positive relationship between sharia compliance and Islamic social reporting.

For future researchers, the results of this analysis found limitations that can be used as evaluation objects in carrying out subsequent research in order to obtain better results. The limitation of this research is that the selection of moderating variables is not appropriate so that it cannot strengthen the relationship between the independent variable and the dependent variable.

ADVANCED RESEARCH

Future researchers can use sample data from other Sharia Business Units and not just those listed in the Financial Services Authority (OJK). Include independent variables that can be related to disclosure of Islamic Social Reporting (ISR). Likewise, you can increase the R-square value so that it can be even higher and can test moderation with different variables.

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