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Article

Does the size of the Board of Commissioners, the size of the Sharia Supervisory Board and Leverage have an effect on Islamic Social Reporting Disclosure?

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ABSTRACT

This research aims to determine the impact of the size of the board of commissioners, sharia supervisory board and leverage on Islamic Social Reporting (ISR) disclosure in Sharia Commercial Banks in Indonesia in 2020-2023. The sampling technique used purposive sampling with samples taken from 12 Sharia Commercial Banks each during 4 years of observation to obtain 48 samples. The results of the research analysis show that leverage has no influence on the disclosure of Islamic Social Reporting, the size of the board of commissioners has a significant positive influence on the disclosure of Islamic Social Reporting, and the sharia supervisory board has not had an influence on the disclosure of Islamic Social Reporting.

Keywords: *Size of the Board of Commissioners, Leverage, Size of the Sharia Supervisory Board, Islamic Social Reporting*

JEL Classification: A15, B12, V6

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INTRODUCTION

The government has regulated regulations relating to social responsibility reporting (CSR) which are contained in Law Number 40, especially article 74 of the law states that a company that carries out business and business activities no longer needs to submit voluntary social responsibility (CSR) disclosures but must be mandatory. This makes social responsibility reporting (CSR) in Indonesia very well developed, the indicators are that more and more companies publish their business and social responsibility in the form of annual financial reports or other publication media related to their business activities.

In its current development, social responsibility reporting is no longer a matter of profits and losses to be channeled for other profitable interests, but the existence of a social responsibility assessment is a company investment in presenting social responsibility reports well, which will get profitable returns, such as a positive company image in the eyes of internal parties and makes the company get a positive image from external parties, especially customers who will later increase the company's own sales, income and profits.

The implementation of social responsibility has now spread to sharia entities. In the teachings of the Islamic religion, humans have been presented as caliphs on earth, whose task is not only to worship Allah SWT (habluminallah) but also to treat other living creatures (habluminannas), including carrying out economic, social and other activities. Islam has taught not only orientation worldly interests but most importantly gaining His pleasure. Institutions that implement sharia principles use the Al-Qur'an and As-Sunnah as a basis for carrying out their activities, for example in sharia banking where the function of sharia banks is to intermediary for mutual prosperity and prosperity in economic activities. In practice, sharia banking in Indonesia has not fully implemented its business activities in accordance with sharia, especially in reporting responsibility, until now measuring the responsibility of sharia banks still uses the Global Reporting Initiative Index (GRI Index). This can be seen in the existing Sharia Bank sustainability report.

Based on the results of several studies, the use of the GRI index is not appropriate because the measurement tools for accountability reporting between sharia and conventional institutions should be different. Additionally, there are tendencies several sharia commercial banks have disclosed social responsibility reporting based on Islamic sharia social reporting but still have not achieved maximum results, such as research Putra, (2014) which examined 4 sharia commercial banks in Indonesia, the results showed that of all the samples, no one was able to reveal as many as 100 %, of the total, 3 of them exceed 50%. Research (Andraeny, 2016) on 11 Islamic commercial banks in Indonesia, the results showed that social responsibility disclosure using the ISR index was still at 35% of the total disclosure. Then research conducted by (Qulub, Amin, & Junaidi, 2019), the results were that Islamic commercial banks were able to disclose social responsibility using the ISR index, but unfortunately the disclosures carried out were still insufficient and had not reached the maximum point of 100%, because there were no standard standards governing disclosure of sharia-based social responsibility.

In ISR disclosure, there are several factors that are considered to have the potential to influence the disclosure of Islamic Social Reporting. These factors include leverage using Debt to Equity (DER) then the size of the board of commissioners and the size of the sharia supervisory board. Several previous research results show the inconsistency of the influence of these three variables on the disclosure of Islamic social reporting. Some of these inconsistencies are the reason why researchers chose this research theme.

LITERATURE REVIEW

Islamic Social Reporting (ISR)

Islamic Social Reporting is a sharia-based social responsibility concept originating from Ros Haniffa's idea which was popularized in 2002 and then further developed by subsequent researchers. This concept is based on the assumption that conventional social responsibility reporting has limitations so that it cannot be applied within the scope of sharia. Islamic Social Reporting (ISR) is the idea of expanding a social performance reporting standard that includes community expectations not only regarding the role of companies in the economy, but also from a spiritual perspective, and emphasizes social justice regarding the environment, minority rights and employees. Islamic Social Reporting has two main objectives, namely a form of accountability to Allah SWT and society and to increase the transparency of business activities by providing information that is relevant and meets the needs of decision makers, in this case Muslims.

Agency Theory

Agency Theory is a concept of the relationship between the company owner (principle) and management (agent). In this theory there is an agency conflict between the two parties, namely a difference in goals between the principle and the agent, the principle wants to try to maximize profits while the agent also wants to receive compensation in accordance with the contract, so the agent takes actions that are not in accordance with what the principle expects.

This condition arises due to information asymmetry, namely the information gap between the principle and the agent. Agents have more internal information relating to the company than principals. Agency theory exists to overcome agency conflicts, to fulfill stakeholders, agents express corporate social responsibility. Stakeholders will be satisfied to see their company express social responsibility so that it can increase public trust and maximize profits (Putri, 2017).

Syariah Enterprise Theory (SET)

Syariah Enterprise Theory (SET) is a theory initiated by Iwan Triyuwono, this theory was developed based on the zakat metaphor which has the character of balance, this makes Syariah Enterprise Theory (SET) no longer only pay attention to the interests of individuals (shareholders) but also prioritize the interests of other parties, namely stakeholders. In the Sharia Enterprise Theory (SET) concept, stakeholders include 3 parties, namely God, humans and nature (Triyuwono, 2011). God is the highest stakeholder because everything essentially returns to God who has created it and is the only goal of human life. By placing God as the highest stakeholder, all activities are carried out based on God's rules and laws. The second stakeholder, namely humans, in this case is divided into two groups, namely direct-stakeholders and indirectstakeholders. Direct-stakeholders are parties who contribute to the company both in financial and non-financial terms, while indirect-stakeholders are parties who do not contribute to the company either in financial or non-financial terms, but according to the sharia view still have the right to welfare from the company.

The third stakeholder is nature, nature plays a very important role in human life because nature provides the resources needed by humans so that humans can continue to survive, but the form of prosperity that companies provide for nature is not with material or money but by participating in protecting nature and protecting it from abuse. something bad that could damage it. Based on this, we can see that this theory does not place humans as the main stakeholders, but makes God the highest authority above everything, because in reality God is the place of return.

Size of the Board of Commissioners

In accordance with Bank Indonesia regulation Number 11/33/PBI/2009 concerning the Implementation of Good Corporate Governance for Sharia Commercial Banks and Sharia Business Units, it is stated that the Board of Commissioners is a company organ tasked with carrying out general and/or specific supervision in accordance with the articles of association and providing advice to Directors. The size of the board of commissioners is the number of members of the board of commissioners in a company. Article 108 of Law No. 40 of 2007 also explains that a company whose activities are collecting/managing funds, issuing debt acknowledgment letters or a public company is required to have at least 2 board of commissioners in it.

Size of the Sharia Supervisory Board

The Sharia Supervisory Board is a board tasked with providing advice and suggestions to the Board of Directors and supervising the Bank's activities so that they comply with Sharia Principles as described in Bank Indonesia Regulation Number 11/33/PBI/2009 concerning the Implementation of Good Corporate Governance for Sharia Commercial Banks and Sharia Business Units. . Meanwhile, based on National Sharia Council Decree no. 3 of 2000, the Sharia Supervisory Board (DPS) is part of the relevant Sharia Financial Institution, whose position is based on the approval of the National Sharia Board (DSN). The Sharia Supervisory Board (DPS) is a body tasked with supervising the implementation of DSN decisions in sharia financial institutions. DPS is appointed and dismissed at sharia financial institutions through the GMS after receiving a recommendation from the DSN. The size of the Sharia Supervisory Board according to Khoirudin, (2013) is the number of members of the Sharia supervisory board in a company. The Sharia Supervisory Board has a task that must be carried out, this task is to discuss problems and business transactions that occur and then make decisions regarding whether or not a transaction is in accordance with sharia principles (Misbach, 2015).

Debt to Equity Ratio (DER)

Debt to Equity Ratio (DER) is a ratio that shows the extent to which own capital guarantees all debt. Debt to Equity Ratio (DER) is one of the ratios in the Leverage ratio, where the leverage ratio is a ratio that aims to measure how much a company is financed with debt. The lower the Debt to Equity Ratio (DER) value, it can be said that the better the company is able to guarantee all its debts.

METHODOLOGY

This research uses quantitative methods. Research was conducted at Sharia Commercial Banks in Indonesia in the 2020-2023 time period via each bank's website. The research sample is Sharia Commercial Banks registered with the Financial Services Authority in 2020-2023. The sampling technique uses purposive sampling, which is a way of determining samples based on predetermined considerations/criteria. Sampling criteria are as follows:

1. Sharia Commercial Banks registered with the Financial Services Authority in 2020- 2023
2. Sharia Commercial Banks which publish annual financial reports and CSR reports consecutively from 2020-2023.
3. Sharia Commercial Banks which contain data related to research variables, namely size of the board of commissioners, leverage, size of the sharia supervisory board and disclosure of Islamic social reporting.

RESULT AND DISCUSSION

Data Analysis Results

Based on the results of the statistical test, the first hypothesis (H1), namely the size of the board of commissioners (X1) has an influence on the disclosure of Islamic Social Reporting (ISR), is accepted because the t value is 2.277 and the t table is 1.983, meaning the value of t > t table (2.277 > 1.983) with p value (sig) 0.008 (< 0.05). Thus, the variable size of the board of commissioners has an influence on Islamic Social Reporting (ISR) disclosure. The second hypothesis (H2), namely the size of the sharia supervisory board (X2) has an influence on the disclosure of Islamic social reporting (ISR), is rejected because the t value is 0.718 and the t table is 1.983, meaning the t value < t table (0.718 < 1.983) with p value (sig) 0.098 (> 0.05). So, the variable size of the sharia supervisory board has no influence on Islamic Social Reporting (ISR) disclosure, while the third hypothesis Leverage (X3) has an influence on Islamic Social Reporting (ISR) disclosure, is rejected because the calculated t value is 0.953 and the t table 1.983 means the t value count < t table (0.953 < 1.983) with p value (sig) 0.312 (> 0.05). Thus, the leverage variable has no influence on Islamic Social Reporting (ISR) disclosure.

Discussion

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

The Sharia Supervisory Board Size variable has no effect on Islamic Social Reporting (ISR) disclosure. The reason may be that the number of sharia supervisory boards is too large or large, which does not make supervision of the fulfillment of sharia principles in the business activities of Sharia Commercial Banks more effective and efficient. The main task and main concern of the sharia supervisory board is in terms of sharia compliance, including supervising the activities of distributing zakat, infaq and alms funds which can be recognized as a form of company Islamic Social Reporting. So it cannot be denied that a large number of sharia supervisory boards with diverse perspectives, experience, competence in both banking and finance, as well as expertise in Islamic law does not guarantee that the bank's performance will be more effective and can result in a better review of the company's reporting. especially in terms of corporate governance and disclosure of Islamic Social Reporting. The results of this study are not in accordance with the research of Ningrum et al. (2013) which states that the size of the sharia supervisory board influences the disclosure of Islamic Social Reporting.

The Influence of the Size of the Board of Commissioners on Islamic Social Reporting

The size of the Board of Commissioners has a significant influence on Islamic Social Reporting, because the average UDK on BUS during the 2020-2023 period is 73.46%. This is in accordance with Bank Indonesia regulation Number 11/33/PBI/2009 concerning the implementation of Good Corporate Governance for Sharia Commercial Banks and Sharia Business Units which states that at least 50% of the members of the board of commissioners are independent. This shows that the number and composition of independent commissioners is in accordance with applicable regulations, so it can be concluded that the presence of independent commissioners at BUS can increase protection for the interests of stakeholders, especially fund-owning customers and minority shareholders and avoid conflicts of interest in carrying out their duties and provide significant contributions. effective in the results of the process of preparing quality financial reports or the possibility of avoiding financial report fraud. The results of this research support research conducted by Gestari (2022) which states that the size of the independent board of commissioners has a significant effect on ISR.

The Effect of Leverage on Islamic Social Reporting (ISR)

Leverage has no influence on Islamic Social Reporting (ISR) disclosure. This means that the size of the debt does not necessarily have an impact on the size of the disclosure of Islamic banking social performance. The research results are consistent with research by Lestari (2023) and Eksandy and Hakim (2021) which show that leverage has no effect on Islamic Social Reporting (ISR) disclosure. The research results are inconsistent with research conducted by Astuti (2022), Anggraini and Wulan (2023), and Ramadhani (2020) whose results stated that leverage had an effect on Islamic Social Reporting disclosure.

CONCLUSION AND RECOMMENDATION

Leverage has no influence on the disclosure of Islamic Social Reporting, the size of the Board of Commissioners has a significant positive influence on the disclosure of Islamic Social Reporting and the size of the Sharia Supervisory Board has no influence on the disclosure of Islamic Social Reporting. Some suggestions for improving future research are that the disclosure of Islamic social reporting for Islamic banks can be expanded to the scale of measurement and indicators, then for the government as a regulator to be able to create standard systems and regulations in determining Islamic Social Reporting disclosure for sharia-based companies or entities. Future researchers can extend the observation period so that they can see companies' tendencies in disclosing Islamic Social Reporting, increase the number of samples by using all types of Sharia Banks in Indonesia, namely Sharia Business Units (UUS) and Sharia Rural Banks (BPRS) in Indonesia and can add other factors or variables that influence the disclosure of Islamic Social Reporting.

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