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Judul Artikel : The effect of profitability, size, and Shariah supervisory board of an Indonesian Islamic bank on the Islamic social reporting disclosure

Penulis : Fachrurrozie, Ahmad Nurkhin, Agus Wahyudin, Al Mamnukhin Kholid, Ika Agustina

Nama Jurnal : Banks and Bank Systems Volume 16, 2021, Issue #3, pp. 84-92

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## The effect of profitability, size and Shariah supervisory board of an Indonesian Islamic bank on the Islamic social reporting disclosure

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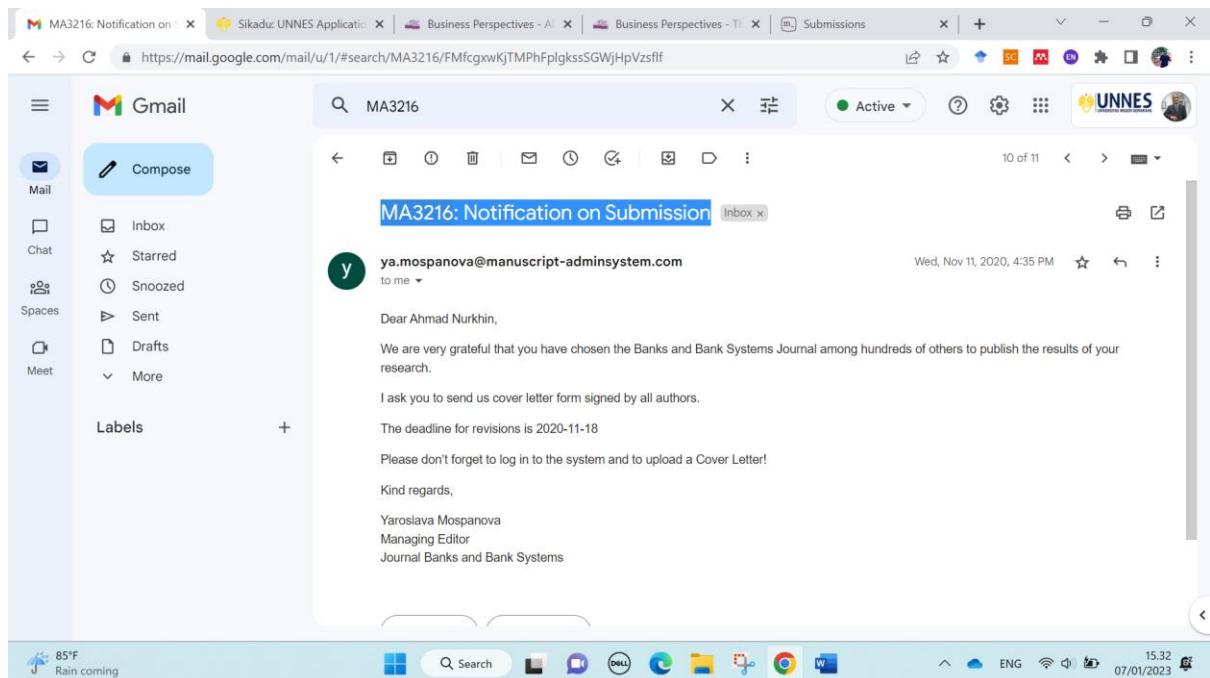
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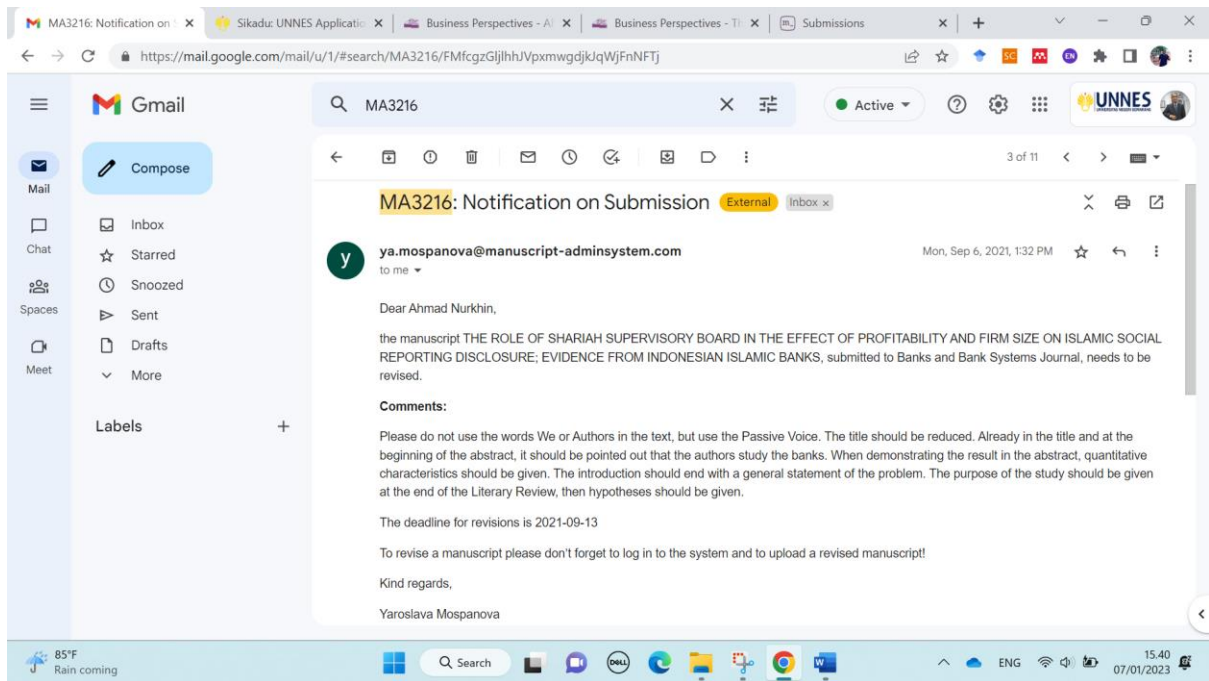
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## ARTIKEL PERBAIKAN

### THE EFFECT OF PROFITABILITY, SIZE AND SHARIAH SUPERVISORY BOARD OF INDONESIA ISLAMIC BANK ON ISLAMIC SOCIAL REPORTING DISCLOSURE

Fachrurrozie<sup>1</sup>, Ahmad Nurkhin<sup>1</sup>, Agus Wahyudin<sup>1</sup>, Al Mamnukhin Kholid<sup>2</sup>, Ika Agustina<sup>1</sup>,

<sup>1</sup> Faculty of Economics, Universitas Negeri Semarang, Indonesia

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#### Abstract

This paper focuses to analyse the effect of profitability and size of the Indonesian Islamic banks on the level of Islamic Social Reporting (ISR) disclosure. This study also investigates the role played by the Sharia Supervisory Board (SSB) on the effect of profitability and size of the Islamic bank on ISR disclosure. The existence of SSB is very important in the operations of Islamic banks. SSB should be involved in making important company decisions, including in the disclosure of ISR. The study takes on all the 14 Indonesian Islamic Commercial Banks as the population, while the analysis will be carried on annual report analysis units of banks from the years 2014 to 2018. The documentation technique was used to collect the data. Moderated Regression Analysis (MRA) was used to analyse the data. The result show that the adjusted R-squared coefficients of the equation is 0.341. R-squared contributions of the ROA, ROE, size, and SSB are -0.093, 0.010, 0.983, and -0.081. The other results indicate that profitability (return on asset) and size (total asset) significantly affect the level of ISR disclosure among Indonesian Islamic banks. However, the results were indifferent regarding the role of SSB. There is no significant effect of SSB on ISR disclosure. SSB was important in moderating the relationship between a profitability (return on asset and return on equity) and size of the banks and its level of ISR disclosure. The involvement of the SSB in the decision making of Islamic banks will

have a positive impact on the activities of Islamic banks. Islamic banks will tend to have a high level of ISR. Further researchers can develop SSB measurements to get more accurate results.

**Keywords:** *return on asset, return on equity, assets, ISR disclosure, SSB members*

**JEL classification:** M41, G20, G30

## INTRODUCTION

Islamic social reporting (ISR) is a concept that arose from corporate social responsibility and is based on the Islamic sharia principles. According to Astuti & Nurkhin (2019), CSR is born when a profit-oriented firm starts focusing on the 3Ps or triple bottom line, which includes Profit, Planet and People. ISR is founded on the teachings of Qur'an, which mandate human beings as caliphs on earth - it is their responsibility to take care of Allah's entire creation. This can be referenced back to the Qur'an surah Al-A'raf verse 71, whereby humans are commanded as caliphs to help preserve Allah's creation. Under the theoretical terms, ISR is viewed as being in accordance with the Sharia Enterprise Theory (SET), whereby humans' beings as *Khalifa fil ardhi*, are mandated to be obedient to all the provisions of Allah, as He is the centre of everything. According to Khoirudin (2013), the concepts of ISR can also be drawn from the legitimacy and stakeholder theory.

Islamic banking in Indonesia provides the best theatre required to study ISR practices even though previous studies have reported low incidences of ISR practices. For example, a study done by Lukman & Dhiyaul-haq (2017) shows that the rate of ISR disclosure in Indonesian Islamic banks remains at a low of 46.39%, while Wahyuni (2018) argues that this rate was much higher at 56.94% with Pratama et al. (2018) pointing towards a much higher average rate of 60.44% (Pratama et al., 2018).

There are several factors behind low ISR disclosure among Indonesian banks such as the presence of Sharia supervisor board (SSB), firm size and profitability, among others. According to a study done by Lukman & Dhiyaul-haq (2017) shows that companies that report higher profits will often change the policies to their benefit in such areas as the disclosure of social responsibility. This is because, according to Othman et al. (2009), a large-sized firm will often have at its disposal an increased level of resources ranging from the human, facility, and financial resources.

However, the results of previous studies show that the effect of profitability and firm size is still not consistent. The study tries to present the role of SSB to strengthen the influence of profitability and firm size on ISR Disclosure. SSB will be tested as moderating variable on the relationship between profitability and size of the Islamic banks to the level of ISR disclosure. The existence of SSB is still believed to be able to play an important role in the activities of Islamic banks, including social activities and reporting. SSB is an organ that really distinguishes Islamic banks from banks in general. The problems to be achieved in this study: (1) analyse the effect of profitability on ISR Disclosure of Indonesian Islamic banks; (2) analyse the effect of Indonesian Islamic bank size on ISR Disclosure; (3) analyse the effect of SSB of Indonesian Islamic banks on ISR Disclosure; and (4) investigate the role of SSB as moderator variable on the relationship of profitability and size of Islamic bank and ISR Disclosure.

## LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

The concept of Islamic Social Reporting is founded upon the principles of the Sharia Enterprise Theory, which is fused with a variety of Islamic Values to help in the production of both humanist and transcendental theories. A huge presumption required in developing the comprehension of the Sharia Enterprise Theory is that all the resources and trust owned by the

stakeholders are from Allah (Kalbarini, 2018). The stakeholder theory also plays a significant role in the ISR practice. According to Freeman and Veal, (2001), all companies under the stakeholder theory are responsible and loyal towards parties with both internal and external influence on them.

ISR can also be referred to as a concept that not only looks to show the role of companies in developing the economic aspects of the communities but the spiritual aspect too. According to Haniffa (2002), the framework of Islamic Social Reporting is founded on three key dimensions, namely: seeking wealth to fulfil needs, benefiting the community, and seeking the pleasure of Allah. Under the Islamic view, the purpose of Social Reporting is to increase a firm's level of transparency and accountability to the community and to Allah SWT (Mais & Lufian, 2018). This can be done through the provision of information, remaining Sharia-compliant in decision making and meeting the spiritual needs of all the Muslim investors.

There are some factors influence the Islamic banks to disclose ISR. This study tries to examine the effect of profitability and size of the Islamic banks on the level of ISR disclosure. The role of SSB also will be tested. The SSB will be a moderating variable, to strengthen the impact of profitability and size of the firm in relation to its level of ISR disclosure. The problem under study revolves around the role that a Sharia supervisory board plays in the relationship between profitability and size of Indonesian Islamic banks to their level of ISR disclosure. Siddi et al. (2019) argued profitability is one of the factors that allow companies the flexibility and freedom to take part in social responsibility. That is, having a higher level of profitability among Islamic banks will lead to increased ISR disclosure.

The results of the previous research show that there are differences in the effect of profitability on the level of ISR disclosure. Previous studies found a positive impact of the profitability of a firm on the level of ISR disclosure (Widayuni & Harto (2014), Anggraini & Wulan (2017), and Rostiani & Sukanta (2018), others pointed that there was no effect of profitability on the level of disclosure (Khotijah et al. (2019), Purwani et al. (2018), Umiyati & Baiquni (2018), and Sunarsih & Ferdiansyah (2017).

Adnan et al. (2016) explained that firm size is a key factor that helps with assessing the size of an organization. Therefore, the greater an Islamic bank is, the greater expectation that it will increase its level of ISR disclosure. The size of the firm helps with identifying the level of complexity of a bank or firm. For example, large firms will often involve a variety of activities and thereby need more supervision compared to the case of a small company. The previous studies indicate various findings. Some studies show that there exists a positive relationship between the firm size and the level of ISR disclosure, while others show that there exists no correlation between the two (Pratama et al. (2018), Rama & Meliawati (2014), Mukhibad (2018), Mukhibad & Fitri (2020), Putra et al. (2020) and Khotijah et al. (2019).

One of the major differences between Islamic banks and conventional banks is that Islamic financial institutions have a SSB, whose duty as stated under the Article PBI (Peraturan Bank Indonesia) No. 11/3/PBI/2009 of the Islamic Commercial Banks is to offer advisory services and ensure that all the banking activities are carried out in accordance with all the Sharia principles. Key studies report that the presence of SSB is critical to the engagement in ISR disclosure activities. A study by Rustam (2013) shows that SSB are Sharia experts that are appointed at the Sharia General Meeting of Shareholders having been recommended by the Indonesian Ulema Council (MUI) to help with ensuring that the banks uphold Sharia principles and help oversee the firm's activities. A study by Farook et al. (2011) reveals that SSB does indeed have a role in increasing the level of ISR disclosure as they ensure the firm follows any Sharia principles. A study by Mukhibad (2018) postulates a positive relationship between SSB and ISR disclosure. These results resonate with similar that were captured by Ningrum et al. (2013) and Eksandy & Hakim (2018). When using SSB in measuring corporate governance, Mubarok (2019) showed that SSB has a significant effect on the disclosure of ISR.

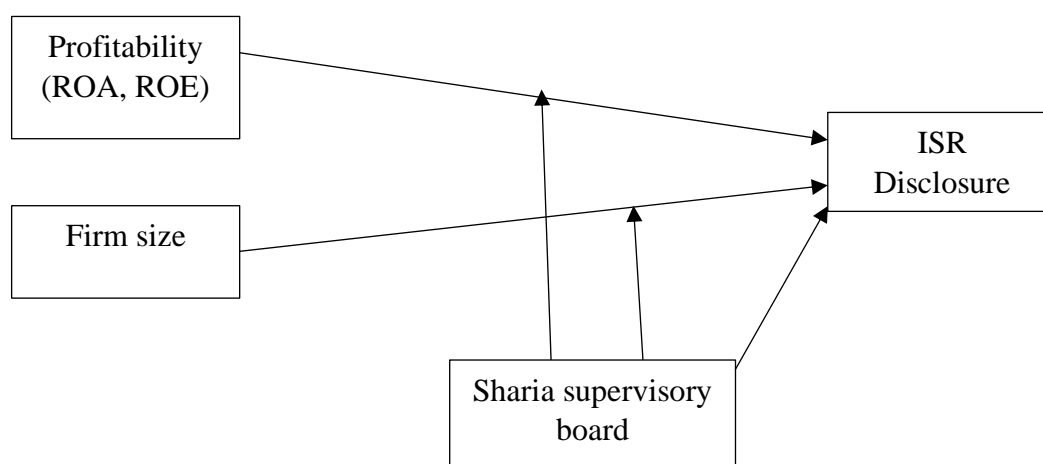
The purposes of this study are:

- 1) to analyse the effect of profitability of Indonesian Islamic banks on the level of ISR Disclosure.
- 2) to analyse the effect of size of Indonesian Islamic banks on the level of ISR Disclosure.
- 3) to analyse the effect of SSB of Indonesian Islamic banks on the level of ISR Disclosure.
- 4) to investigate the role of SSB as moderating variable on the relationship between profitability, size, and the level of ISR Disclosure of Indonesian Islamic banks.

Based on the literature review, the hypotheses are:

- H1a ROA has a positive and significant effect on ISR disclosure
- H1b ROE has a positive and significant effect on ISR disclosure
- H2 Firm size has a positive and significant effect on ISR disclosure
- H3a SSB has a positive and significant effect on ISR disclosure
- H3b SSB significantly moderate the relationship between profitability and ISR disclosure
- H3c SSB significantly moderate the relationship between firm size and ISR disclosure

The framework in this study is shown in Figure 1 below.



**Figure 1.** Conceptual Framework

## METHODS

The population of the study involves all the Indonesian Islamic Commercial banks. All the banks included in the study have an annual report analysis unit. By the end of September 2019, Indonesia had 14 Islamic commercial banks. Our time observation is a five-year period starting from 2014 to 2018. This period will be enough to yield accurate and relevant results that will help with developing a comprehension into the condition of ISR disclosure.

The study has employed a purposive sampling technique with the following criteria:

- a. The Islamic bank has been registered in Indonesia during the period starting 2014 and ending in 2018
- b. The Islamic bank files annual reports throughout the selected period consecutively.

ISR disclosure is the dependent variable. The size and profitability of the firm are the independent variables. The Sharia supervisory board will be the moderating variable.

**Table 1. Operational Definitions of Research Variables**

No.	Research Variable	Indicators
1	ISR Disclosure / ISRD	Investment and financial themes Product and service themes



		Labor theme Social theme Environmental theme Organizational governance theme
2	The existence of SSB	The number of SSB
3	Profitability	ROA (return on asset) dan ROE (return on equity)
4	Firm Size	Total asset owned by Islamic bank

The study relied on secondary collected from annual reports of Indonesian Islamic commercial banks from 2014 to 2018. Furthermore, data was collected using the documentation technique. The study then used a content Analysis method in assessing the firm's level of ISR disclosure in relation to the firm's annual report analysis unit. The content analysis obtained the following results: the ISR index by theme, the lowest ISR index, the highest ISR index and the ISR index by the year. The study later uses the moderation regression analysis as the primary data analysis methods.

## RESULT AND DISCUSSION

The first results, which are the fit test models, are recorded in the following table. The criteria AARS, ARS and APC record the value of P as less than 0.001, meaning that the model is ready for the next step.

**Table 2. Model test result**

No.	Indicator	Result	Decision
1	Average path coefficient (APC)	APC = 0.352, P = 0.002	Acceptable
2	Average R-squared (ARS)	ARS = 0.435, P < 0.001	Acceptable
3	Average adjusted R-squared (AARS)	AARS = 0.341, P < 0.001	Acceptable

The next step involved testing the hypothesis, which shows that ROA is different from ROE and is a profitability proxy that affects ISRD. The results have also recorded influencing a firm's ISR disclosure. SSB is also recorded as having an effect as the moderating variable regarding the size and profitability of the firm to its ISR disclosure.

**Table 3. Hypothesis testing**

No.	Hypothesis	Result	Decision
1	ROA has a positive and significant influence on ISRD	P value 0,016 Coefficient 0,279	Accepted
2	ROE has a positive and significant influence on ISRD	P value 0,446 Coefficient -0,019	Rejected
3	Firm size has a positive and significant influence on ISRD	P value < 0,001 Coefficient 1,151	Accepted
4	SSB has a positive and significant influence on ISRD	P value 0,093 Coefficient -0,177	Rejected
5	SSB moderate the relationship of ROA on ISRD	P value 0,020 Coefficient -0,270	Accepted
6	SSB moderate the relationship ROE on ISRD	P-value 0,004 Coefficient -0,341	Accepted
7	SSB moderate the relationship size on ISRD	P value 0,041 Coefficient -0,230	Accepted

### The effect of profitability on ISR Disclosure

From the results above, ROA positively impacted the ISR significantly compared to the ROE. This shows that having a greater ROA will help with increasing the scope of ISR disclosures done by the Indonesian Islamic banks. Having a higher level of profitability positions banks to provide broad information to its stakeholders, which is a big convenience for the Islamic banks. This information will be critical in helping spread awareness regarding the good social value of the Islamic banks.

The results acquired by this study are like those of a study done by Rostiani & Sukanta (2018). However, other studies have come out strongly stating that a higher profitability level does not guarantee an increased level of ISR disclosure among Islamic banks (Anggraini & Wulan, 2017). Other studies, for example, one done by Hajawiyah et al. (2019) have found that an increased level of profitability will often decrease a firm's level of ISR disclosure.

The level of Islamic bank profitability (ROA) can determine the level of ISR disclosure. Islamic banks that have a higher level of profitability will be safer in carrying out their social activities. Islamic banks can allocate their profits for the economic empowerment of the surrounding community, compensation for the poor and nature conservation. The greater profit will increase the confidence of Islamic banks to be able to carry out these social activities. Fluctuations in the rate of return obtained by Islamic banks will make banks think again about disclosing their social activities. The limited activity makes Islamic banks hesitate to disclose it in their annual reports. Thus, profitability is still interesting to be studied further because its role is still uncertain. Some researchers found a positive effect of profitability on the level of ISR disclosure. While other researchers found the opposite.

### The effect of firm size on ISR Disclosure

Firm size is a critical factor that helps with determining the level of ISR disclosure. Huge firms such as Islamic banks that have a higher asset base will often disclose some of the information it owns, and this includes ISR disclosures. This is done for them to strengthen their position and gain legitimacy among its stakeholders. Most studies done to this area show that firm size places a positive influence on the ISR disclosure of the bank (Hajawiyah et al., 2019; Mukhibad, 2018; Mukhibad & Fitri, 2020; Nugraheni & Wijayanti, 2017; Pratama et al., 2018; Putra et al, 2020). However, like the other factors identified above, a few studies show no relationship between the size of a firm and their level of ISR disclosure (Kasih & Rini, 2018; Prasetyoningrum, 2018; Widayuni & Harto, 2014).

The large size of Islamic banks would encourage a more diverse social activity. Office coverage will also increase the access of Islamic banks in carrying out social activities. Islamic banks will be closer to people who need assistance and empowerment. In addition, Islamic banks will be more flexible in utilizing their resources for charitable activities and nature conservation. Thus, the size of Islamic banks greatly affects the social activities carried out by Islamic banks. ISR shows the extent to which Islamic banks make a positive contribution to social and economic empowerment of the community.

### **The Role of Shariah Supervisory Board in the Effect of Profitability and Firm Size on ISR Disclosure**

The presence of SSB in Islamic banks is what sets them apart from conventional banks and therefore expected to play a great in determining the role and activities carried out by Islamic banks including ISR disclosure (Farook et al., 2011). However, the results show that SSB does not have a significant or positive effect on the level of ISR disclosure. However, a study done by Eksandy and Hakim (2018) records a positive correlation between SSB and ISR disclosure (Mubarok, 2019; Mukhibad, 2018).

The implementation of social responsibility by Islamic banks is in the context of implementing the principle of accountability (Voronova & Umarov, 2021). Because the principle of accountability is the closest principle to Islam regarding corporate social responsibility. The existence of SSB can keep Islamic bank to remain responsible towards society and environment.

The existence of SSB has not been able to influence the level of ISR disclosure. The SSB is still considered as a complementary organ specifically aimed at monitoring the conformity of bank activities with Sharia rules. SSB has not had a direct impact on the level of ISR disclosure. SSB should be able to increase its activities and involvement in social activities and economic empowerment carried out by Islamic banks. It is hoped that Islamic banks can increase their social activities to further increase their social contribution to the surrounding community. The public will give a positive response to Islamic banks and can encourage people to use the services of Islamic banks.

This study also examines the other roles of SSB, namely as a moderator of the relationship between profitability and size of Indonesian Islamic bank on ISR disclosure. The result indicates that SSB can play a significant role in moderating the relationship between profitability and firm size on ISR disclosure. However, the correlation coefficient found is negative. This means that the higher the number of SSB members, the less impact of profitability and size of Indonesian Islamic banks on the ISR disclosure.

The results showed that SSB can significantly affect the firm size relationship with ISR. Islamic banks with large firm size accompanied by the active involvement of the SSB will increase the social activities of Islamic banks. Thus, the ISR of Islamic banks will be even greater. SSB can do important things so that Islamic banks carry out social activities for the surrounding environment. As previously found (Alam et al., 2021), Islamic banks and other Islamic financial institutions have not been able to touch the grassroots. Islamic banks can channel their funds more to Baitul Maal wa Tamwil (BMT) or Islamic Microfinance Institution (IMFI) whose existence is very close to the community. Islamic banks can also cooperate with zakat management institutions to distribute social funds. SSB monitors the social activities of Islamic banks and can recommend trustworthy zakat management institutions.

The implication of this study is the importance of enhancing the role of SSB in the ISR disclosure of Islamic banks in Indonesia. SSB can increase the activity carried out by supervising Islamic banks in the implementation of adequate social activity. Thus, Islamic banks can better disclose the ISR. The existence of SSB is highly recognized by Islamic banks in Indonesia. Therefore, SSB have an important role to help Islamic banks to innovate in the

social and economic empowerment activities surrounding communities. Policy makers could issue rules to provide greater access to the SSB in monitoring social activities carried out by Islamic banks.

## CONCLUSION

This study tries to examine the effects of profitability and size of Indonesian Islamic banks on ISR Disclosure. The paper also tests the role of SSB in the effect of profitability and size on ISR Disclosure. The results indicated that ISR Disclosure was determined by profitability (return on asset) and size of Ind significantly. However, the study remained indifferent regarding the effect of the Sharia Supervisory Board on the level of ISR disclosure. The main finding of this research is SSB can play a significant role in moderating the relationship between profitability and firm size on ISR disclosure. As conclusion, there is significant role of SSB to increase the disclosure of ISR. So, the improvement in ISR disclosure among Indonesian Islamic Banks will be better if SSB can do their activities to supervise and monitoring social activity of the banks. It is through this that the banks can earn the trust of the stakeholders prompting them to rely on the services offered by these banks.

## AUTHOR CONTRIBUTIONS

Conceptualization: Fachrurrozie, Agus Wahyudin, Ahmad Nurkhin, Al Mamnukhin Kholid

Funding acquisition: Fachrurrozie, Al Mamnukhin Kholid.

Investigation: Ahmad Nurkhin, Ika Agustina.

Methodology: Fachrurrozie, Agus Wahyudin, Ahmad Nurkhin, Ika Agustina.

Project administration: Ahmad Nurkhin, Ika Agustina.

Software: Ahmad Nurkhin, Ika Agustina.

Supervision: Fachrurrozie, Al Mamnukhin Kholid.

Validation: Fachrurrozie, Agus Wahyudin, Ahmad Nurkhin.

Writing – original draft: Fachrurrozie, Agus Wahyudin, Ahmad Nurkhin.

Writing – reviewing & editing: Fachrurrozie, Ahmad Nurkhin, Agus Wahyudin.

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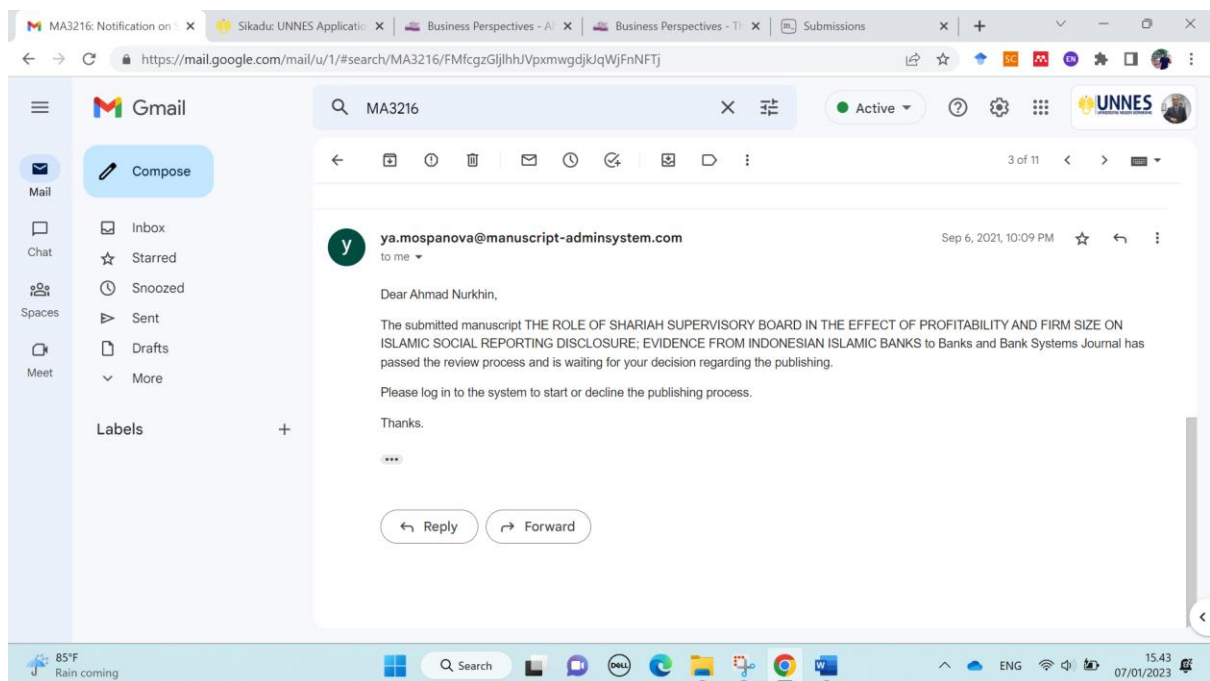
## 8. MA3216: Notification on Submission, 6 September 2021 – PASSED THE REVIEW

Dear Ahmad Nurkhin,

The submitted manuscript THE ROLE OF SHARIAH SUPERVISORY BOARD IN THE EFFECT OF PROFITABILITY AND FIRM SIZE ON ISLAMIC SOCIAL REPORTING DISCLOSURE; EVIDENCE FROM INDONESIAN ISLAMIC BANKS to Banks and Bank Systems Journal has passed the review process and is waiting for your decision regarding the publishing.

Please log in to the system to start or decline the publishing process.

Thanks.



## 9. MA3216\_manuscript has been accepted for publication, 8 September 2021 - ACCEPTED

Dear Ahmad Nurkhin,

I would like to inform you that your manuscript titled “THE EFFECT OF PROFITABILITY, SIZE AND SHARIAH SUPERVISORY BOARD OF INDONESIAN ISLAMIC BANK ON ISLAMIC SOCIAL REPORTING DISCLOSURE” has been accepted for publication, and will be published in the issue 3, 2021 of the journal “Banks and Bank Systems”.

As soon as the payment will be done, I’ll provide you with APC confirmation letter to let you have the reimbursement from your institution (if you need).

The article processing charge (APC) is 595 euros. We offer 3 methods of payment: 1) by invoice; 2) by bank transfer; 3) to pay online on our web-site via a credit card. Please, let me know, which one is convenient for you?

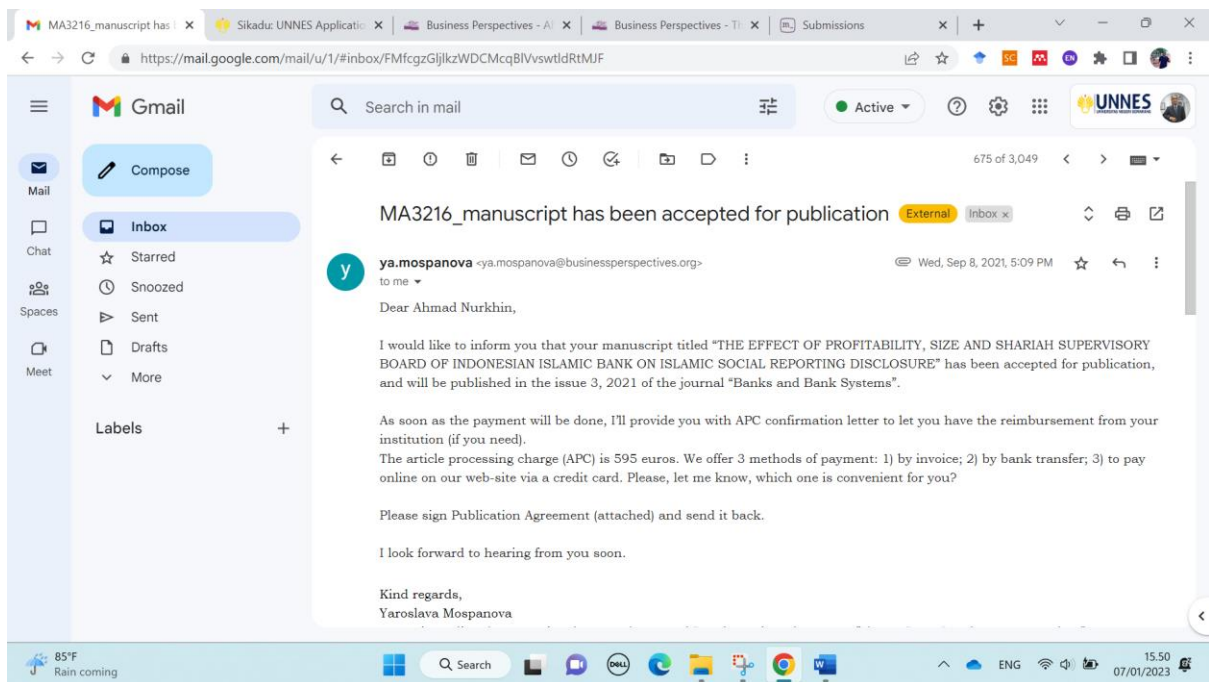
Please sign Publication Agreement (attached) and send it back.

I look forward to hearing from you soon.

Kind regards,

Yaroslava Mospanova

Managing Editor | International Research Journal “Banks and Bank Systems” | LLC “CPC  
“Business Perspectives”





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Date: 06.09.2021

Ahmad Nurkhin  
PhD, Lecturer, Faculty of Economics,  
Universitas Negeri Semarang,  
Indonesia

## ACCEPTANCE LETTER

Dear Ahmad Nurkhin,

We are pleased to inform you that your paper "THE EFFECT OF PROFITABILITY, SIZE AND SHARIAH SUPERVISORY BOARD OF INDONESIAN ISLAMIC BANK ON ISLAMIC SOCIAL REPORTING DISCLOSURE" co-authored with Fachrurrozie, Agus Wahyudin, Al Mamnukhin Kholid, Ika Agustina has been double blind peer-reviewed and accepted for publication in the international journal "Banks and Bank Systems", which is scheduled to be published in Volume 16, Issue 3, 2021.

With cordial regards,

**Yaroslava Mospanova**

Managing Editor  
International research journal  
"Banks and Bank Systems"

E-mail: [ya.mospanova@businessperspectives.org](mailto:ya.mospanova@businessperspectives.org)

## 10. MA3216\_manuscript has been accepted for publication, 8-9 September 2021 - PAYMENT

The screenshot shows a Gmail inbox on a desktop browser. The browser tabs include 'MA3216\_manuscript has', 'Sikadu: UNNES Applicati...', 'Business Perspectives - A...', 'Business Perspectives - T...', and 'Submissions'. The address bar shows the URL 'https://mail.google.com/mail/u/1/#inbox/FMfcgzGjlkzWDCMqBIVsvtldRtMJF'. The Gmail interface includes a search bar, a 'Compose' button, and a sidebar with 'Inbox', 'Starred', 'Snoozed', 'Sent', 'Drafts', and 'More'. The main email is from Ahmad Nurkhin (ahmadnurkhin@mail.unnes.ac.id) to ya.mospanova, dated Sep 8, 2021, 5:29 PM. The email content reads: 'Dear Editor, Thank you for the information. We choose online payment via credit card. We're very happy if there is any discount, because of the pandemic. Please, the first author is Fachrurrozie like in the manuscript. I'm corresponding author and actually co-author. Thank you very much. Ahmad Nurkhin, S.Pd., M.Si. Department of Economic Education Faculty of Economics Universitas Negeri Semarang (UNNES) <http://blog.unnes.ac.id/nurkhin/>'.

The screenshot shows a Gmail inbox on a desktop browser, similar to the first one. The browser tabs and address bar are the same. The main email is a reply from ya.mospanova (ya.mospanova@businessperspectives.org) to Ahmad Nurkhin, dated Sep 8, 2021, 8:13 PM. The email content reads: 'Dear Ahmad Nurkhin, Thank you for the reply! Unfortunately we don't provide a discounts anymore. Please click here to pay online on our website via a credit card: <https://businessperspectives.org/journals/banks-and-bank-systems#options> and choose 595 euros. As soon as the payment is done, I'll provide you with APC confirmation letter to let you have the reimbursement from your institution (if you need). Please inform me when the payment will be done.'

Below this email is a reply from Ahmad Nurkhin (ahmadnurkhin@mail.unnes.ac.id) to ya.mospanova, dated Sep 9, 2021, 6:04 AM. The email content reads: 'Dear Editor, Here we sent the proof of payment by using credit card. Thank you.'

The screenshot shows a Gmail interface with a sidebar on the left containing navigation options like Mail, Chat, Spaces, and Meet. The main content area displays an email from 'Businessperspectives' with the subject 'Business Perspectives order completed'. The email body includes a greeting, a thank you message for order #1857, and a note about payment withdrawal. Below the email text are three buttons: 'Great, thank you so much!', 'Thank you!', and 'Awesome, thank you so much!'. At the bottom of the email are 'Reply' and 'Forward' buttons. The browser's taskbar at the bottom shows the system tray with weather (85°F, Rain coming), search, and various application icons.

## Order 1857

### Details

<b>Id</b>	1857
<b>User</b>	ahmadnurkhin
<b>Billing</b>	<b>Ahmad Nurkhin <a href="mailto:ahmadnurkhin@mail.unnes.ac.id">ahmadnurkhin@mail.unnes.ac.id</a></b> L Building, Sekaran Campus, Gunungpati, Semarang, Central Java, 50229, Indonesia
<b>Shipping</b>	
<b>Created on</b>	Wednesday, 08 September 2021 23:01
<b>Last updated</b>	Wednesday, 08 September 2021 23:02
<b>Payment Method</b>	Upc
<b>Order State</b>	Successfully created
<b>Customer Notes</b>	Manuscript Fachrurrozie, Ahmad Nurkhin

### Items

Item Name	Quantity	Unit Price	Total
Banks and Bank Systems <small>plan &gt; APC for the authors with affiliation in lower middle-income countries</small>	1	€595.00	€595.00
<b>Payment Fee</b>			€0.00
<b>Shipping Fee</b>			€0.00
<b>Discounts</b>			€0.00
<b>Subtotal</b>			€595.00
<b>Taxes</b>			€0.00
<b>Total</b>			€595.00

### Payments

Transaction ID	Status	Payment Method	Total	Date
21090902-075110	✓	upc	€595.00	Wednesday, 08 September 2021 23:02

## 11. MA3216\_Proofreading, 13 September 2021 - PROOFREADING

Dear Ahmad Nurkhin,

Hope you are doing well!

Attached you'll find a paper for proofreading before publication. Please check the text of your article and correct mistakes (if any). All corrections please indicate in the attached file. Please, return proofs during next 2 days. Please add missed reference.

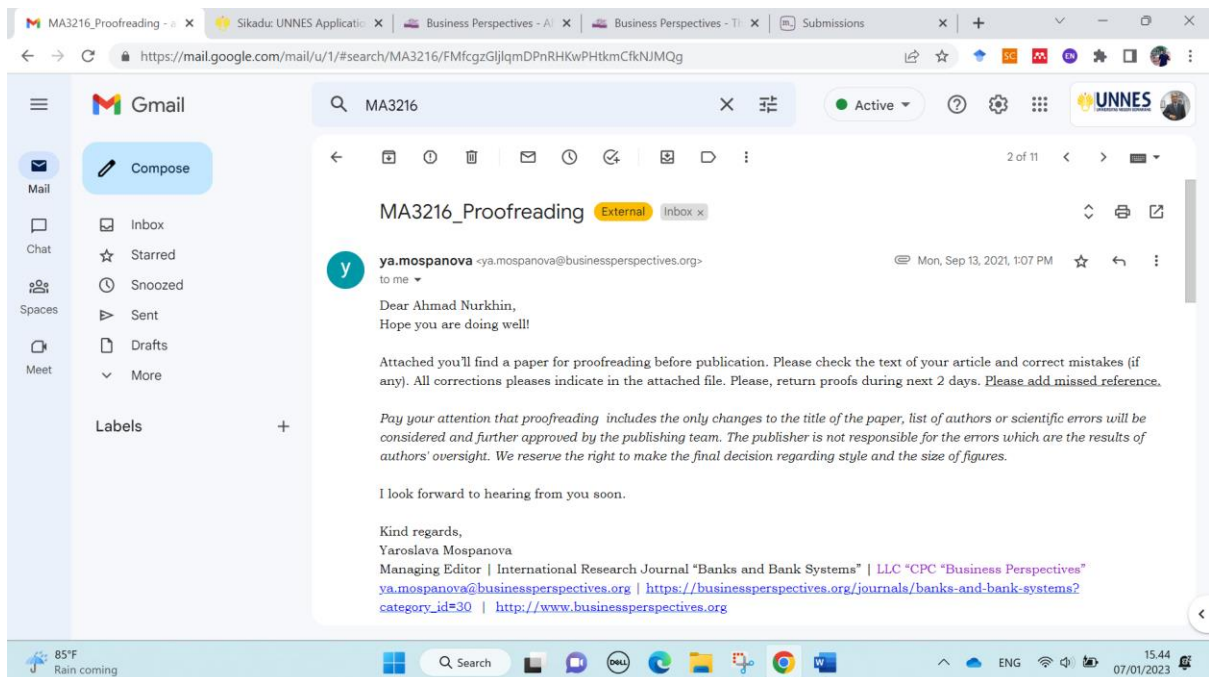
Pay your attention that proofreading includes the only changes to the title of the paper, list of authors or scientific errors will be considered and further approved by the publishing team. The publisher is not responsible for the errors which are the results of authors' oversight. We reserve the right to make the final decision regarding style and the size of figures.

I look forward to hearing from you soon.

Kind regards,

Yaroslava Mospanova

Managing Editor | International Research Journal "Banks and Bank Systems" | LLC "CPC "Business Perspectives"



The screenshot shows a Gmail email interface. The email is titled "MA3216\_Proofreading" and is from Yaroslava Mospanova (ya.mospanova@businessperspectives.org) to Ahmad Nurkhin. The email content is as follows:

Dear Ahmad Nurkhin,  
Hope you are doing well!

Attached you'll find a paper for proofreading before publication. Please check the text of your article and correct mistakes (if any). All corrections please indicate in the attached file. Please, return proofs during next 2 days. Please add missed reference.

*Pay your attention that proofreading includes the only changes to the title of the paper, list of authors or scientific errors will be considered and further approved by the publishing team. The publisher is not responsible for the errors which are the results of authors' oversight. We reserve the right to make the final decision regarding style and the size of figures.*

I look forward to hearing from you soon.

Kind regards,  
Yaroslava Mospanova  
Managing Editor | International Research Journal "Banks and Bank Systems" | LLC "CPC "Business Perspectives"  
[ya.mospanova@businessperspectives.org](mailto:ya.mospanova@businessperspectives.org) | [https://businessperspectives.org/journals/banks-and-bank-systems?category\\_id=30](https://businessperspectives.org/journals/banks-and-bank-systems?category_id=30) | <http://www.businessperspectives.org>

# EMAIL BALASAN

This screenshot shows an email from Ahmad Nurkhin to ya.mospanova. The email is dated September 13, 2021, at 9:50 PM. The sender's name is Ahmad Nurkhin, S.Pd., M.Si., from the Department of Economic Education, Faculty of Economics, Universitas Negeri Semarang (UNNES). The email content includes a greeting, a message about a manuscript proofreading, and a list of contact information. There is one attachment, which is a scanned document.

MA3216 Proofreading - x Sikadu: UNNES Applicati... Business Perspectives - AI... Business Perspectives - TI... Submissions

https://mail.google.com/mail/u/1/#search/MA3216/FMfcgzGijlqmDPnRHkWPhtkmCfkNJMQg

MA3216

Active

UNNES

2 of 11

Ahmad Nurkhin <ahmadnurkhin@mail.unnes.ac.id> to ya.mospanova

Sep 13, 2021, 9:50 PM

Dear Editor,

We sent our manuscript\_proofreading. Please kindly find the attached file.  
We added the missed reference (book).  
Thank you.

Best regards  
Ahmad Nurkhin, S.Pd., M.Si.  
Department of Economic Education  
Faculty of Economics  
Universitas Negeri Semarang (UNNES)  
<http://blog.unnes.ac.id/nurkhin/>

One attachment • Scanned by Gmail

85°F Rain coming

This screenshot shows a reply email from ya.mospanova to Ahmad Nurkhin. The email is dated September 14, 2021, at 3:04 PM. The sender's name is ya.mospanova from businessperspectives.org. The email content includes a greeting, a thank you message, and a request for confirmation. There is one attachment, which is a scanned document titled 'BBS\_issue\_3\_202...'. The subject line of the email is 'MA3216\_Proofrea...'.

MA3216 Proofreading - x Sikadu: UNNES Applicati... Business Perspectives - AI... Business Perspectives - TI... Submissions

https://mail.google.com/mail/u/1/#search/MA3216/FMfcgzGijlqmDPnRHkWPhtkmCfkNJMQg

MA3216

Active

UNNES

2 of 11

MA3216\_Proofrea...

ya.mospanova <ya.mospanova@businessperspectives.org> to me

Tue, Sep 14, 2021, 3:04 PM

Dear Ahmad Nurkhin,

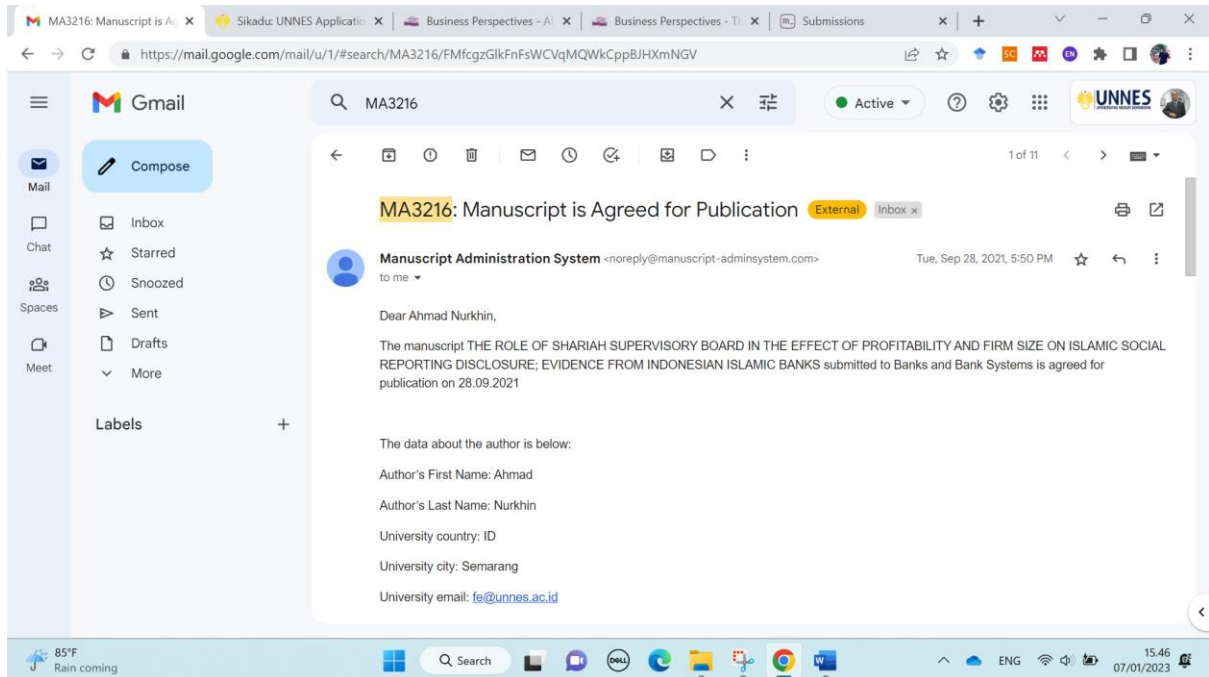
Thank you for your letter.  
See the final version of your paper (attached).  
Is there everything correct?

One attachment • Scanned by Gmail

BBS\_issue\_3\_202...

85°F Rain coming

## 12. MA3216: Manuscript is Agreed for Publication, 28 September 2021



The screenshot shows a Gmail interface with a search bar containing "MA3216". The email subject is "MA3216: Manuscript is Agreed for Publication" with an "External" label. The sender is "Manuscript Administration System" with the email address "noreply@manuscript-adminsystem.com". The email content includes a greeting to Ahmad Nurkhin and a confirmation that the manuscript "THE ROLE OF SHARIAH SUPERVISORY BOARD IN THE EFFECT OF PROFITABILITY AND FIRM SIZE ON ISLAMIC SOCIAL REPORTING DISCLOSURE; EVIDENCE FROM INDONESIAN ISLAMIC BANKS" is agreed for publication on 28.09.2021. The author's details are listed as follows:

The data about the author is below:

- Author's First Name: Ahmad
- Author's Last Name: Nurkhin
- University country: ID
- University city: Semarang
- University email: [fe@unnes.ac.id](mailto:fe@unnes.ac.id)

The Windows taskbar at the bottom shows the date as 07/01/2023 and the time as 15:46.

### 13. MA3216: Manuscript is Published







The screenshot shows the Manuscript Administration System interface. The main heading is "VIEW SUBMISSION #MA3216 Publication Process". A progress bar at the top indicates the stages: New Submission (07.11.2020), Consideration (25.11.2020), Initial Review (26.08.2021), Plagiarism Check (30.08.2021), Desk Review (06.09.2021), Peer review (06.09.2021), Decision Making (06.09.2021), and Author's Response (28.09.2021). The left sidebar shows the user "Ahmad Nurkhin" and a "SUBMISSIONS" button. The main content area has a "Back to Submissions" link and a "General" section with the following details:

- TITLE:** THE ROLE OF SHARIAH SUPERVISORY BOARD IN THE EFFECT OF PROFITABILITY AND FIRM SIZE ON ISLAMIC SOCIAL REPORTING DISCLOSURE; EVIDENCE FROM INDONESIAN ISLAMIC BANKS
- AUTHOR AND CO-AUTHORS:** Ahmad Nurkhin, Fachrurrozie Fachrurrozie, Agus Wahyudin, Al Mamnukhin Kholid, Ika Agustina

The bottom of the screenshot shows a Windows taskbar with the date 07/01/2023 and time 16:00.

The screenshot shows the Business Perspectives journal website. The article title is "The effect of profitability, size and Shariah supervisory board of an Indonesian Islamic bank on the Islamic social reporting disclosure". The article was received on November 7, 2020, accepted on September 6, 2021, and published on September 14, 2021. The authors listed are Fachrurrozie, Ahmad Nurkhin, Agus Wahyudin, Al Mamnukhin Kholid, and Ika Agustina. The DOI is http://dx.doi.org/10.21511/bbs.16(3).2021.08. The article is in Volume 16, Issue #3, pages 84-92. It has 473 views and 233 downloads. The article is licensed under a Creative Commons Attribution 4.0 International License. The website header includes "BUSINESS PERSPECTIVES" and navigation links for "ABOUT US", "JOURNALS", "PUBLISHING POLICIES", "EDITORIAL POLICIES", "BOOKS", and "JIC INDEX". There are also "SEARCH" and "SUBMIT MANUSCRIPT" buttons. The bottom of the screenshot shows a Windows taskbar with the date 07/01/2023 and time 16:00.

# “The effect of profitability, size and Shariah supervisory board of an Indonesian Islamic bank on the Islamic social reporting disclosure”

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<b>ARTICLE INFO</b>	Fachrurrozie, Ahmad Nurkhin, Agus Wahyudin, Al Mamnukhin Kholid and Ika Agustina (2021). The effect of profitability, size and Shariah supervisory board of an Indonesian Islamic bank on the Islamic social reporting disclosure. <i>Banks and Bank Systems</i> , 16(3), 84-92. doi:10.21511/bbs.16(3).2021.08
<b>DOI</b>	<a href="http://dx.doi.org/10.21511/bbs.16(3).2021.08">http://dx.doi.org/10.21511/bbs.16(3).2021.08</a>
<b>RELEASED ON</b>	Tuesday, 14 September 2021
<b>RECEIVED ON</b>	Saturday, 07 November 2020
<b>ACCEPTED ON</b>	Monday, 06 September 2021
<b>LICENSE</b>	 This work is licensed under a <a href="https://creativecommons.org/licenses/by/4.0/">Creative Commons Attribution 4.0 International License</a>
<b>JOURNAL</b>	"Banks and Bank Systems"
<b>ISSN PRINT</b>	1816-7403
<b>ISSN ONLINE</b>	1991-7074
<b>PUBLISHER</b>	LLC "Consulting Publishing Company "Business Perspectives"
<b>FOUNDER</b>	LLC "Consulting Publishing Company "Business Perspectives"

  
NUMBER OF REFERENCES  
**34**

  
NUMBER OF FIGURES  
**1**

  
NUMBER OF TABLES  
**3**

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BUSINESS PERSPECTIVES



LLC "CPC "Business Perspectives"  
Hryhorii Skovoroda lane, 10,  
Sumy, 40022, Ukraine  
[www.businessperspectives.org](http://www.businessperspectives.org)

Received on: 7<sup>th</sup> of November, 2020  
Accepted on: 6<sup>th</sup> of September, 2021  
Published on: 14<sup>th</sup> of September, 2021

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Conflict of interest statement:  
Author(s) reported no conflict of interest

Fachrurrozie (Indonesia), Ahmad Nurkhin (Indonesia), Agus Wahyudin (Indonesia), Al Mammukhin Kholid (Indonesia), Ika Agustina (Indonesia)

## THE EFFECT OF PROFITABILITY, SIZE AND SHARIAH SUPERVISORY BOARD OF AN INDONESIAN ISLAMIC BANK ON THE ISLAMIC SOCIAL REPORTING DISCLOSURE

### Abstract

This paper analyzes the effect of profitability and size of Indonesian Islamic banks on the level of Islamic Social Reporting (ISR) disclosure. This study also investigates the role played by the Sharia Supervisory Board (SSB) in the effect of profitability and size of an Islamic bank on ISR disclosure. The presence of SSB is very important in the operations of Islamic banks. SSB should be involved in important company decisions, including the ISR disclosure. The study covers all 14 Indonesian Islamic commercial banks as a population; the analysis will be conducted based on annual reports of the banks' divisions for the period 2014–2018. A documentation technique was used to collect the data. Moderated Regression Analysis (MRA) was used for data analysis. The results show that the adjusted R-squared coefficient of the equation is 0.341. R-squared contributions of ROA, ROE, size, and SSB are –0.093, 0.010, 0.983, and –0.081. Other results show that profitability (ROA) and size (total assets) significantly affect the level of ISR disclosure among Indonesian Islamic banks. However, the results were indifferent regarding the role of SSB. There is no significant effect of SSB on ISR disclosure. SSB was important for moderating the relationship between profitability (ROA and ROE) and bank size and ISR disclosure level. SSB's involvement in the decision making of Islamic banks will have a positive effect on the activities of Islamic banks. Islamic banks will tend to have a high level of ISR. Further researchers can develop SSB measurements for more accurate results.

**Keywords** return on assets, return on equity, assets, ISR disclosure, SSB members

**JEL Classification** M41, G20, G30

### INTRODUCTION

Islamic social reporting (ISR) is a concept that arose out of corporate social responsibility (CSR) and is based on the Islamic sharia principles. According to Astuti and Nurkhin (2019), CSR is born when a profit-oriented firm starts focusing on the 3Ps or triple bottom line, which includes Profit, Planet and People. ISR is based on the teachings of Qur'an, which mandates human beings to be caliphs on earth – it is their responsibility to take care of Allah's entire creation. This can be referenced back to the Qur'an surah Al-A'raf verse 71, whereby humans are commanded as caliphs to help preserve Allah's creation. Under the theoretical terms, ISR is viewed as being in accordance with the Sharia Enterprise Theory (SET), whereby humans' beings as *Khalifa fil ardhi* are mandated to be obedient to all the provisions of Allah, as He is the center of everything. According to Khoirudin (2013), the concepts of ISR can also be drawn from the legitimacy and stakeholder theory.

Islamic banking in Indonesia provides the best theater required to study ISR practices even though previous studies have reported low incidences of ISR practices. For example, a study by Santoso and Dhiyaul-haq (2017) shows that the rate of ISR disclosure in Indonesian Islamic banks remains low at 46.39%, while Wahyuni (2018) argues that this rate was much higher at 56.94%, with Pratama et al. (2018) pointing towards a much higher average rate of 60.44% (Pratama et al., 2018).

There are several factors behind low ISR disclosure among Indonesian banks such as the presence of Sharia supervisory board (SSB), firm size and profitability, among others. According to Santoso and Dhiyaul-haq (2017), companies that report higher profits often change the policies to their benefit in areas such as social responsibility disclosures. This is because, according to Othman et al. (2009), a large-sized firm will often have at its disposal an increased level of resources ranging from the human, facility, and financial resources.

However, the results of previous studies show that the effect of profitability and firm size is still not consistent. The study tries to present the role of SSB to strengthen the influence of profitability and firm size on ISR disclosure. SSB will be tested as a moderating variable of the relationship between profitability and size of Islamic banks and the level of ISR disclosure. The existence of SSB is still believed to be able to play an important role in the activities of Islamic banks, including social activities and reporting. SSB is an organ that really distinguishes Islamic banks from banks in general. The tasks to be solved in this study are as follows:

- 1) analyze the effect of profitability on ISR disclosure of Indonesian Islamic banks;
- 2) analyze the effect of Indonesian Islamic bank size on ISR Disclosure;
- 3) analyze the effect of SSB of Indonesian Islamic banks on ISR disclosure; and
- 4) investigate the role of SSB as a moderator variable in the relationship between profitability and size of an Islamic bank and ISR disclosure.

## 1. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

The concept of Islamic Social Reporting is based on the principles of the Sharia Enterprise Theory, which is combined with a variety of Islamic values to help create both humanist and transcendental theories. A huge presumption required in developing the comprehension of the Sharia Enterprise Theory is that all the resources and trust owned by stakeholders are from Allah (Kalbarini, 2018). The stakeholder theory also plays a significant role in the ISR practice. According to Freeman and Veal (2001), all companies within the framework of stakeholder theory are responsible and loyal to parties that have both internal and external influence on them.

ISR can also be referred to as a concept that seeks not only to show the role of companies in developing the economic aspects of communities, but

also the spiritual aspect. According to Haniffa (2002), the framework of Islamic Social Reporting is based on three key dimensions, such as seeking wealth to fulfill needs, benefiting the community, and seeking the pleasure of Allah. Under the Islamic view, the purpose of Social Reporting is to increase a firm's level of transparency and accountability to the community and to Allah SWT (Mais & Lufian, 2018). This can be done through the provision of information, remaining Sharia-compliant in decision making and meeting the spiritual needs of all the Muslim investors.

There are several factors that influence the Islamic banks' disclosure of ISR. This study tries to examine the effect of profitability and size of Islamic banks on the level of ISR disclosure. The role of SSB also will be tested. The SSB will be a moderating variable that strengthens the impact of profitability and size of a firm in relation to its level of ISR disclosure. The problem under study revolves around the role that a Sharia supervisory board plays in the relationship between profitability and

## CONCLUSION

This study tries to examine the effect of profitability and size of Indonesian Islamic banks on ISR disclosure. The paper also tests the role of SSB in the effect of profitability and size on ISR disclosure. The results indicated that ISR disclosure was determined by profitability (return on assets) and firm size significantly. However, the study has remained indifferent regarding the effect of the Sharia Supervisory Board on the level of ISR disclosure. The main finding of this study is that SSB can play a significant role in moderating the relationship between profitability and firm size and ISR disclosure. It can be concluded that SSB plays an important role in increasing ISR disclosure. Thus, improving ISR disclosure among Indonesian Islamic banks will be better if SSB can carry out their activities to supervise and monitor the social activity of banks. It is through this that banks can earn the trust of stakeholders, encouraging them to rely on the services offered by these banks.

## AUTHOR CONTRIBUTIONS

Conceptualization: Fachrurrozie, Ahmad Nurkhin, Agus Wahyudin, Al Mamnukhin Kholid.

Data curation: Fachrurrozie, Ahmad Nurkhin, Al Mamnukhin Kholid, Ika Agustina.

Formal analysis: Fachrurrozie, Agus Wahyudin, Al Mamnukhin Kholid, Ika Agustina.

Funding acquisition: Fachrurrozie, Al Mamnukhin Kholid.

Investigation: Ahmad Nurkhin.

Methodology: Fachrurrozie, Ahmad Nurkhin, Agus Wahyudin.

Project administration: Ahmad Nurkhin, Ika Agustina.

Resources: Fachrurrozie, Ahmad Nurkhin, Al Mamnukhin Kholid.

Software: Ahmad Nurkhin, Ika Agustina.

Supervision: Fachrurrozie.

Validation: Fachrurrozie, Ahmad Nurkhin, Agus Wahyudin.

Visualization: Ika Agustina.

Writing – original draft: Fachrurrozie, Ahmad Nurkhin, Agus Wahyudin.

Writing – reviewing & editing: Fachrurrozie, Ahmad Nurkhin, Agus Wahyudin.

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