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Corporate Governance and Islamic Social Reporting: Indonesia Islamic Banking Development Roadmap Era

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Abstract

This research examines the corporate governance effect on Islamic Social Reporting (ISR). This research was conducted in 2015-2022, used the ISR codification, collected from the annual reports of ten Indonesian Islamic banks, and applied the Stakeholder Theory approach which has never been done previously. The research results show that Board of Commissioners' meetings, Audit Committee meetings, and Sharia Supervisory Board meetings significantly and positively affect ISR. These findings imply that supervision through the meetings of the Board of Commissioners, Audit Committees, and Sharia Supervisory Board plays a role in detecting ISR. Corporate governance in Islamic banks continuously seeks to maintain sustainability in Islamic banks, including the support for stakeholders. ISR is a form of Islamic bank accountability to show that Islamic banks always prioritize their stakeholders, including the support for the Indonesia Islamic banking development roadmap prepared by the Financial Services Authority.

Introduction

The Financial Service Authority (2021), collaborating with several related institutions, created the Indonesia Islamic banking development roadmap for 2015-2019 that led to several achievements and contributions to the development of Indonesian Islamic banks. Subsequently, the Financial Service Authority (FSA) continues with the Indonesia Islamic banking development roadmap for 2020–2025 that covers three development directions: First, strengthening the identity of Islamic banking; second, building a synergy of the Sharia economic ecosystem; and third, strengthening licensing, regulation, and supervision. The Indonesia Islamic banking development roadmap, among others, can emphasize the strengthening of supervision.

Corporate Governance (CG) is related to the company's supervisory role to work effectively to achieve long-term goals, apply business ethics regarding integrity, and realize company sustainability (Nugroho & Yulianto, 2015) in meeting the interests of shareholders and stakeholders (Miihkinen, 2012). Banks have a different CG structure from non-financial companies because they are included in 'highly regulated' corporations (Lobo, 2017). The customers of Islamic banks care about not only financial benefits but also Sharia principles application (Grassa & Matoussi, 2014), which does not exist in conventional banks (Al-Haija & Kolsi, 2021).

The construction of Corporate Social Responsibility (CSR) and CG based on Islam is essential for Islamic banks. Islamic banks must be able to detect the supervisory function regarding CSR in corporate reporting, including through Islamic Social Reporting (ISR). The annual report, as part of corporate reporting, explains the condition of an entity that shows the company's accountability for the resources that have been invested by the shareholders (Healy & Palepu, 2001) and stakeholders and for meeting the interests of the users of the report (Mediawati & Afiana, 2018). In the Stakeholder Theory, companies act as a means to coordinate the stakeholders' interests (Deegan, 2014) because all the stakeholders have the right to obtain the information that can influence their decisions (Budi, 2021) regarding company activities. Companies must be able to maintain their relationships with their stakeholders, such as communicating the economic, social, and environmental impacts of their businesses for their sustainability (Hess & Warren, 2008).

As a derivative of the CSR concept, ISR is a form of CSR to the community, especially to Allah SWT (Abadi et al., 2020). The research results regarding CSR disclosure by Islamic banks worldwide are shallow (El-Halaby & Hussainey, 2015). Furthermore, the ISR of Islamic banks in Indonesia from 2010-2014 (Santoso & Dhiyaul-Haq, 2017) and from 2011-2014 (Hamdani et al., 2020) showed that the ISR disclosure of Islamic banks was higher than that of conventional banks. In Malaysia, the level of ISR disclosure in Islamic banks in 2009-2010 was better than in Indonesia (Sofyani et al., 2012). ISR disclosure reflects social performance; it can be concluded that Islamic banks in Indonesia have low social performance (Farook et al., 2011). This research also updates the previous research by investigating CG of ISR in the Indonesia Islamic banking development roadmap.

There are a number of studies conducted on the influence of CG on ISR. The research of Santoso and Dhiyaul-Haq (2017) used the codification by adopting the research results of Haniffa (2002), Haniffa and Hudaib (2007), and Othman et al. (2009) with several adjustments, however, it only focused on profitability, award, and type of ownership. Additionally, some research investigated the determinants of ISR – without codification (Santoso & Dhiyaul-Haq 2017); commissioners (Ifada et al., 2021; Khoirudin, 2013); independent commissioner (Ifada et al., 2021), Board of Commissioners meetings (Ifada et al., 2021), Sharia Supervisory Board (SSB) (Mukhibad, 2018; Mukhibad et al., 2022), and SSB meetings (Alsartawi, 2019; Grassa & Matoussi, 2014). Moreover, Mayliza and Yusnelly (2021) show that audit committee and audit committee meetings do not affect ISR even though the audit committee is part of the supervisory structure of a company (Ditta & Setiawan, 2019).

This study aims to examine the effect of CG on ISR in Islamic banks in the period of 2015-2021. In this empirical study, CG is proxied by the board of commissioners, independent commissioner, board of commissioners meeting, audit committee, audit committee meeting, SSB, and SSB meeting. This study emphasizes CG's supervisory role in Islamic banks by employing the Stakeholder Theory approach. In the academic aspect, this study is to improve the understanding of ISR in Islamic banks by referring to the Islamic banking development roadmap connected to the Stakeholder Theory. Meanwhile, in the practical aspect, the understanding gained from this research can be used by Islamic banks as an alternative in making decisions during the Islamic banking development era.

Literature Review

Stakeholder Theory

In the Stakeholder Theory, a company's concern for the company's environment will affect stakeholders' views on the company (Roberts, 1992). Stakeholders are all internal and external parties who can influence or be influenced by the company either directly or indirectly (Freeman, 1994). Stakeholder Theory explains voluntary disclosure in corporate reporting (Qu et al., 2013). A report on the economic activities of a company must provide essential information that can communicate the possible consequences of the company's activities to facilitate decision-making (Wahh et al., 2020). Disclosure of information in corporate reporting must pay attention to stakeholders' expectations (Muslichah, 2020). Accounting information in the report on economic activities is described as the information used for the decision-making of the internal and external stakeholders of a company (Alam, 2022). Companies must consider social activities as an investment for the future (Zafar et al., 2022). Prioritizing the strength of the community as a stakeholder shows the company's efforts in sustainability (Dosinta & Astarani, 2021).

Board of Commissioners

The Stakeholder Theory considers different stakeholders in a community group and how they must be managed if the company is to survive and succeed in the long term (Qu et al., 2013). The Board of Commissioners has an essential role in improving the operational performance of banking companies as the Bank of Indonesia requires the Board of Commissioners to have adequate knowledge of operations, risk management, and CG (Lutfi et al., 2014). The Board of Commissioners will play an essential role in overseeing the bank's commitment to activities in ISR.
H_1: The Board of Commissioners has a positive effect on Islamic social reporting.

Independent Commissioners

In the Stakeholder Theory, corporate governance mechanisms are the key strategy to help companies understand, respond, and relate to various stakeholder relationships (Unerman & Bennett, 2004). Independent commissioners must not have financial, managerial, and family relations, as well as other relationships related to shared ownership, other commissioners, and controlling shareholders that may affect their ability to act independently (Zulfikar et al., 2017). The greater the proportion of independent commissioners, the more able they are expected to pay attention to the risks that will be faced by the company (Istorini & Handoyo, 2014), thus increasing the effectiveness of the control and affecting the quality of accounting reporting (Fama & Jensen, 1983). The independent commissioners play an essential role in overseeing Islamic bank's commitment to Sharia compliance (Hasani & Muhammad, 2022) and ISR.
H_2: Independent commissioners have a positive effect on Islamic social reporting.

Frequency of Board of Commissioners Meetings

The Stakeholder Theory has been offered as an alternative corporate governance model (Anderson, 2015). The role of a company's supervisory board becomes increasingly essential when shareholders' interests are threatened (Jensen, 1993). Bennet's (2013) research shows an increase in supervision through the frequency of the Board of Commissioners meetings, thereby minimizing low-risk decision-making. The increase in the frequency of the Board of Commissioners meetings will accommodate the diverse considerations in decision-making. The frequency of the Board of Commissioners meetings plays an essential role in overseeing the bank's commitment to the activities of ISR.
H_3: The frequency of the Board of Commissioners meetings has a positive effect on Islamic social reporting.

Audit Committee

CG involves a series of relationships between a company's management, boards, shareholders, and other stakeholders (Kusi et al., 2018). The audit committee is one of the main pillars of the corporate governance mechanism. Playing a role in effective monitoring and control, it ensures the integrity of financial reporting (Barakat & Hussainey, 2013). A supervisory structure within a company plays a crucial role in detecting uncertainties in bank reports such as risk disclosure (Dosinta, 2021; Wijayanti et al., 2022) and Islamic bank reports (Nugraheni, 2018; Nugraheni & Muhammad, 2019; Yuanisa et al., 2022). Supervision by the audit committee plays an essential role in overseeing the bank's commitment to activities in ISR.
H_4: The Audit Committee has a positive effect on Islamic social reporting.

Frequency of Audit Committee Meetings

An active Audit Committee can implement corporate governance by monitoring more effectively and responsibly (Collier & Gregory, 1999). Furthermore, Menon and Williams, (1994) argue that the management can be monitored effectively if the Audit Committee is active. Beasley et al. (2000) found that less frequent Audit Committee meetings resulted in many errors in the oversight of annual reports. The frequency of Audit Committee meetings is expected to improve the control function and transparency of financial information produced by the company. The frequency of Audit Committee meetings plays an essential role in overseeing the bank's commitment to activities in ISR.

H_5: The frequency of Audit Committee meetings has a positive effect on Islamic social reporting.

Sharia Supervisory Board

According to the Stakeholder Theory, society expects companies to behave in socially beneficial ways and play a role in the economy because companies are accountable to various social groups (Harun et al., 2020). In corporate governance, the Sharia Supervisory Board in Islamic banks is the party that can improve Sharia compliance (Muhammad, Annuar, Taufik, & Nugraheni, 2021) and social activity (Boudawara et al., 2023).

SSB has a monitoring function, so the size of SSB will affect the effectiveness of SSB in monitoring and will further improve company performance (Aprilia et al., 2017). SSB is the most determining factor in ISR disclosure (Mukhibad, 2018). Supervision conducted by SSB plays an essential role in overseeing the bank's commitment to activities in ISR.

H_6: Sharia Supervisory Board has a positive effect on Islamic social reporting.

Frequency of Supervisory Sharia Board Meetings

Stakeholder responsibility in the Islamic framework aims to balance and harmonize the interests of various stakeholder groups based on moral, ethical, and social responsibility, as well as the public interest principles, namely avoidance of damage and poverty, and the principle of obedience to Allah SWT commands (Abadi et al., 2020). The frequency of SSB meetings is expected to improve the function of controlling and supervising the transparency of financial information produced by a company (Meskovic et al., 2023). Higher SSB meeting frequency is expected to early detect anomalies in ISR. The frequency of SSB meetings plays an essential role in overseeing the bank's commitment to activities in ISR (Alsartawi, 2019).

H_7: The frequency of Supervisory Shariah Board meetings has a positive effect on Islamic social reporting.

Research Methods

This study examines the effect of CG on ISR. The population is all Islamic banks in Indonesia, and the sampling method used is purposive based on the specific criteria (Chandrarin, 2017), namely Indonesian Islamic banks that published annual reports on company websites in 2015-2022 that then became the unit of analysis of this research. The samples comprised Aceh Syariah, NTB Syariah, Muamalat Indonesia, Victoria Syariah, BJB Syariah, Mega Syariah, Panin Dubai Syariah, KB Bukopin Syariah, BCA Syariah, and BTPN Syariah.

ISR is the dependent variable analyzed in this study that was measured by the content analysis that refers to the ISR Index developed by Haniffa (2002), Haniffa and Hudaib (2007), and Othman et al. (2009). This ISR Index consists of 51 items and was used by Santoso and Dhiyaul-Haq (2017) as presented in Table 1. For the codification, the company that disclosed the information on the specified items got a score of 1, while those that did not do it got a score of 0. The maximum value obtained if a company disclosed all the information was 51 as the number of items in the ISR Index used. The ratio used to measure the disclosure in ISR was the number of disclosures divided by the maximum number of disclosures, as was done by Santoso and Dhiyaul-Haq (2017) and Sarea and Salami (2021).

Table 1. Islamic Social Reporting Disclosures

Islamic Social Reporting	Islamic Social Reporting Disclosures	References
Finance	(1)*Riba* activities (2)*Gharar* activities (3)Amount of zakat (4)*Zakat*: beneficiaries (5)Source of zakat (6)Policy on Late Repayment and Insolvent Clients	(Haniffa, 2002; Haniffa & Hudaib, 2007; Othman et al., 2009).
Product	(7)Halal status of products (SSB opinion) (8)Product explanation (9)Product safety and quality (10)Customer complaints/incidents of non-compliance (11)Customer satisfaction survey	(Haniffa, 2002; Haniffa & Hudaib, 2007; Othman et al., 2009).
Human Resources	(12)Employee salary and remuneration policy (13)Religious activities for employees (14)Freedom of worship in the workplace (15)Holidays and leave (16)Employee working hours (17)Education and training for employees (18)Equal opportunity (19)Number and education of employees (20)Reward and punishment policy (21)Employee health and safety (22)Work environment (23)Employee engagement (24)Upper-level employees carrying out worship together with lower-level employees (25)Adequate place of worship for employees (26)Employees of special groups (27)*Saddaqa* (28)*Waqf* (29)*Qard* Hassan (30)Activities on Islamic economics	(Haniffa, 2002; Haniffa & Hudaib, 2007; Othman et al., 2009).
Social	(31)Participation in government social activities (32)Charity and social activities of company (33)Sponsorship of activities carried out by the public (34)*Zakat Infaq Saddaqa* from employees (35)Provision of school/scholarships/educational assistance (36)Youth development (37)Improvement of the quality of life and the environment (38)Concern for children (39)Resources usage (40)Environmental conservation>Tree planting	(Haniffa, 2002; Haniffa & Hudaib, 2007; Othman et al., 2009).
Environment	(41)Environmental education > Go green campaign (42)Environmental-related policies (43)Profile and performance of the Board of Commissioners (44) Profile and performance of the Board of Directors (45) Profile and performance of the Sharia Supervisory Board	(Haniffa, 2002; Haniffa & Hudaib, 2007; Othman et al., 2009).
Corporate Governance	(46)Income and non-halal fund use (47)Shared ownership structure (48)Implementation of Sharia compliance 49) Anti-corruption policy/internal audit (50)Lawsuit (51) Policy on anti-money laundering and anti-channeling funds for terrorism activities	(Haniffa, 2002; Haniffa & Hudaib, 2007; Othman et al., 2009).

Source: Adapted from Santoso and Dhiyaul-Haq (2017)

The independent variable of this study is corporate governance that consists of; the size of the Board of Commissioners (COM) (Ifada et al., 2021), the proportion of Independent Commissioners (CIND) derived from the number of independent commissioners divided by the number of commissioners as (Sherif El-Halaby & Hussainey, 2016; Hasani & Muhammad, 2022), the frequency of Board of Commissioners Meetings (CMEET) (Ifada et al., 2021), the size of Audit Committee (CA) (Mayliza & Yusnelly, 2021), the frequency of Audit Committee Meetings (CAMEET) (Mayliza & Yusnelly, 2021), the size of Sharia Supervisory Board (SSB) (Alsartawi, 2019; Grassa & Matoussi, 2014; Mukhibad et al., 2022), and the frequency of Sharia Supervisory Board Meetings (SSBMEET) (Alsartawi, 2019; Grassa & Matoussi, 2014).

The data of this study were analyzed using panel data regression by selecting the best model among the Common Effect Model, Random Effect Model, and Fixed Effect Model. Since there was more than one independent variable, this study employed multiple linear regression (Chandrarin, 2017) with the following model.

$$ISR_{i,t} = \alpha_0 + \beta_1 COM_{i,t} + \beta_2 CIND_{i,t} + \beta_3 CMEET_{i,t} + \beta_4 CA_{i,t} + \beta_5 CAMEET_{i,t} + \beta_6 SSB_{i,t} + \beta_7 SSBMEET_{i,t} + e_{i,t}$$

Results and Discussion

The descriptive statistics of the research variables are shown in Table 2 with the minimum value of ISR disclosure of 53% and the average value of 88%. It means that there have already been several Islamic banks that disclosed their social information, but it was not optimal because the value was still average. This study examines ten Islamic banks in Indonesia for eight years which makes the number of the samples of 80 Islamic banks. Furthermore, it can be seen that the minimum value of the proportion of independent commissioners is 50% and the maximum value is 100 with an average of 64.71%.

Table 2. Descriptive Statistics

	ISR	COM	CIND	CMEET	CA	CAMEET	SSB	SSBMEET
Mean	0.7100	3.6625	0.6474	15.0000	3.800	14.9875	2.3750	16.7750
Median	0.7100	3.0000	0.6700	13.0000	4.000	13.0000	2.0000	12.0000
Maximum	0.8800	6.0000	1.0000	37.0000	6.000	48.0000	3.0000	44.0000
Minimum	0.5300	3.0000	0.5000	6.0000	3.000	5.0000	2.0000	7.0000
Observations	80	80	80	80	80	80	80	80

Table 3. Results of Chow-test and Hausman-test

Test of type	F – Value	Chi – Sq Statistic	P - Value	The Right Model
Chow Test (cross-section F-Test)	2.2644	0	0.0288	Fixed Effect Model
Chow Test (cross-section Chi-square)	22.4217	0	0.0076	
Hausman Test (cross-section random)	0	20.3798	0.0048	Fixed Effect Model

Table 4. Multicollinearity Test Results

	COM	INDCOM	CMEET	CA	CAMEET	SSB	SSBMEET
COM	1.000000	-0.143465	0.217327	0.129298	0.155733	0.291116	0.253884
INDCOM	-0.143465	1.000000	-0.086359	-0.163303	-0.354900	-0.366060	0.265308
CMEET	0.217327	-0.086359	1.000000	0.323009	0.485987	-0.289616	-0.016634
CA	0.129298	-0.163303	0.323009	1.000000	0.710935	-0.091928	0.291096
CAMEET	0.155733	-0.354900	0.485987	0.710935	1.000000	-0.088763	-0.064416
SSB	0.291116	-0.366060	-0.289616	-0.091928	-0.088763	1.000000	0.118699
SSBMEET	0.253884	0.265308	-0.016634	0.291096	-0.064416	0.118699	1.000000

Based on the analysis using Econometrics Views (E-views), Table 3 shows that the Fixed Effect Model is the best model for this study. Both the Chow test and Hausman test showed the p-values of <0.05. Table 4 demonstrates the results of the multicollinearity test. Using a table of correlation values between variables, it can be seen that the point of intersection of the correlation value is 0.80 between the independent variables encompassing COM, INDCOM, CMEET, CA, CAMEET, SSB, and SSBMEET. Thus, it can be concluded that the data used did not contain multicollinearity.

Table 5 shows the adjusted R-squared value of 0.1908 which indicates that ISR disclosure level can be explained as much as 19.08% by the variables of commissioners, independent commissioners, frequency of the Board of Commissioners meetings, Audit Committee, frequency of Audit Committee meetings, SSB, and frequency of SSB meetings. The remaining 80.92 % is explained by other variables outside the equation model. The result of simultaneous test produces F value of 2,1647 with a probability of 0.0156 which is less than 0.05 showing that the ISR index can be explained by the variables of commissioners, independent commissioners, frequency of the Board of Commissioners meetings, Audit Committee, frequency of Audit Committee meetings, SSB, and frequency of SSB meetings altogether. Meanwhile, the partial test reveals that the independent variables, namely frequency of Board of Commissioners meetings, frequency of Audit Committee meetings, and frequency of SSB meetings, have positive effects on ISR at a significance level of 5%.

Table 5. Multiple Regression Test Results

Variable	Prediction	Coefficient	Significance	Note
COM	+	0.0395	0.2830	Not supported
CIND	+	0.2706	0.1547	Not supported
CMEET	+	0.0083	0.0175*	Supported
CA	+	-0.1236	0.0342	Not supported
CAMEET	+	0.0129	0.0135*	Supported
SSB	+	-0.0240	0.7928	Not supported
SSBMEET	+	0.0095	0.0406*	Supported
Constant	0.4393			
R-Squared	0.3547			
Adjusted R-squared	0.1908			
F-statistic	2.1647			
Prob(F-statistic)	0.0156			

ISR is the dependent variable that explains Islamic social reporting. COM, CIND, CMEET, CA, CAMEET, SSB, and SSBMEET are independent variables that explain Board of Commissioner, independent commissioner, frequency of Board of Commissioners meetings, Audit Committee, frequency of Audit Committee meetings, Supervisory Sharia Board, and frequency of Supervisory Sharia Board meetings.
*Significance level 5%

Board of Commissioners, Independent Commissioners, Frequency of Board of Commissioners Meetings, and Islamic Social Reporting

Table 5 showcases the results of the hypothesis test where the size of the Board of Commissioners has no effect on ISR with a significance value of $0.2830 > \alpha = 0.05$. Consequently, the first hypothesis stating that the size of the Board of Commissioners has a positive effect on ISR is not supported. Based on this result, it can be concluded that the number of commissioners does not affect ISR, so it is not optimal in supporting the stakeholders, namely the Financial Service Authority as a constituent of the Islamic banking development to carry out the social responsibility according to the provisions. The existence of the Board of Commissioners is expected to encourage good supervision, especially during the Islamic banking development era. This study result contradicts the results of the studies conducted by Ifada et al. (2021) and Indrawaty and Wardayati (2016) which suggest that the Board of Commissioners has an effect on ISR. However, this study aligns with the research of Lidyah et al. (2019) which argues that the size of the Board of Commissioners has no effect on ISR. This research implies that the number of commissioners to ensure the disclosure in ISR will be effective if it goes along with the stakeholders' interests. However, although more commissioners will give more opportunities for more extensive supervision and more effective management control (Moumen et al., 2016), it does not guarantee effectiveness in supervising ISR at Indonesian Islamic banks.

Moreover, the results also indicate that independent commissioner has no effect on ISR with a significance value of 0.1547>α = 0.05. Therefore, the second hypothesis which states that independent commissioners have a positive effect on ISR is not supported. This study is aligned with the research conducted by Ifada et al. (2021) which found that independent commissioners had no effect on ISR. However, this study contradicts the research of Sulistyawati and Indah (2017) which shows that independent commissioners have a positive effect on ISR disclosure. Independent commissioners in Islamic banks are expected to increase the supervision in the process of compiling company reports. The findings of this research indicate that the independence of the independent commissioners does not guarantee the inclusion of ISR in Islamic banks' annual reports. The supervision carried out on the management should be more intensive if there are many independent commissioners (Yulianto, 2017).

Furthermore, this research proves that the frequency of the Board of Commissioners meetings has a positive effect on ISR with a significance value of 0.0175<α = 0.05. Therefore, the third hypothesis is supported. The Board of Commissioners must hold regular meetings to evaluate the directors' policies. However, a lack of coordination in each meeting will result in the ineffectiveness of the policy that encourages the implementation of management control by the Board of Commissioners in ISR disclosure. This study contradicts the research performed by Ifada et al. (2021) which found that the frequency of the Board of Commissioners meetings did not affect ISR. However, this study corroborates the research of Meutia and Febrianti (2017) stating that the frequency of the Board of Commissioners meetings has a positive effect on ISR.

Audit Committee, Frequency of Board of Audit Committee Meetings, and Islamic Social Reporting

Table 5 indicates that Audit Committee size has no effect on ISR with a significance value of 0.0342<α = 0.05 and a negative coefficient. Therefore, the fourth hypothesis is not supported. This supports the results of the research conducted by Mayliza and Yusnelly (2021) which found that the Audit Committee does not influence ISR. The Audit Committee in a company is expected to monitor every policy issued by the Board of Directors. In this study, the size of Audit Committees is not yet optimal in supporting one of the stakeholders, namely the Financial Service Authority, as a constituent of the Islamic banking development by carrying out social responsibility according to regulations.

In addition, the study results indicate that the frequency of the Audit Committee meetings has an effect on ISR with a significance value of 0.0135<α = 0.05. Then, the fifth hypothesis is supported. The Audit Committee must hold regular meetings to evaluate the company policies. Each meeting should produce more effective encouragement to control the management by detecting ISR. This study does not support the results of the research conducted by Mayliza and Yusnelly (2021) which found that the frequency of the Audit Committee meetings showed no effect on ISR.

Supervisory Sharia Board, Supervisory Sharia Board Meetings, and Islamic Social Reporting

This study indicates that SSB has no effect on ISR, with a significance value of 0.7928>α = 0.05. Therefore, the sixth hypothesis is not supported. The results contradict the research of Alsartawi (2019) and Grassa and Matoussi (2014) which mention that SSB has a positive effect on ISR. This research reveals that the influence of the size of SSB is not optimal in supporting one of the stakeholders, namely company management. Based on a CG perspective, SSB is a function in the governance of Islamic banks and organizations that has Sharia knowledge as well as contemporary

Islamic finance information so that it can provide recommendations for the management in producing decisions based on Islamic values without violating Sharia principles, which are an essential characteristic of Islamic banks (Benamraoui et al., 2023; Muhammad, Mangawing, & Salsabilla, 2021).

Additionally, the frequency of SSB meetings positively affects ISR with a significance value of $0.0410 < \alpha = 0.05$. Therefore, the seventh hypothesis which states that the number of SSB meetings has a positive effect on ISR, is supported. This implies that regular meetings to evaluate the policies that the directors make will result in the effectiveness of policies to encourage Good Corporate Governance (GCG) in ISR disclosure. The disclosure of ISR in the annual reports through the monitoring by SSB meetings is one of the essential aspects of Islamic bank accountability to the stakeholders (Mallinb et al., 2014). The results of this study do not support Alsartawi (2019) who proves that SSB has a negative effect on ISR disclosure. However, this study is in line with the research of Grassa and Matoussi (2014) which states that the frequency of SSB meetings has a positive effect on ISR.

Corporate Governance, Islamic Social Reporting, Islamic Banks, and Stakeholders

Corporate governance was developed to protect the interests of investors and their responsibilities in the financial reporting process (Zulfikar et al., 2021). Corporate governance through the Board of Commissioners, independent commissioners, Board of Commissioners meeting, Audit Committee, Audit Committee meeting, SSB, and SSB meeting plays the role of supervision and monitoring within a company, including the accounting information in the annual reports. The accounting information currently issued by Islamic banks must be complete and adequate for the decision-making process. Therefore, Islamic banks need more additional information to detect the ISR disclosure in their annual reports (Nugraheni & Khasanah, 2019). ISR disclosure is an essential aspect of the accountability function of Islamic banks to stakeholders (Sherif El-Halaby et al., 2018).

In the financial sector, especially in Islamic banks, management needs to detect social activities through ISR to meet the needs of customers and stakeholders for sustainable business. All stakeholders want to survive in a company's continuity which can be realized through prioritizing sustainability that later is expected to bring prosperity to shareholders as the company owners (Dosinta et al., 2024). Currently, many companies voluntarily adopt and apply sustainability practices extensively to meet the demands and expectations of stakeholders (Handajani et al., 2021). Hence, corporate governance mechanisms must continue to work together to intensify supervision to realize banking sustainability and support the Government in achieving Sustainable Development Goals (Dosinta, 2021; Dosinta et al., 2022).

A company must be able to accommodate large profits and distribute the profits according to its natural ecosystem (Winarno & Sawarjuwono, 2021) because one of the company goals is to make a positive contribution to society in the aspect of economic, social, environmental (Trireksani & Djajadikerta, 2016), and financial technology (Urumsah et al., 2022). Even though banking is part of the financial services sector, it is expected to implement green accounting (Handajani et al., 2021). Implementing green accounting is one of the solutions to encouraging the company's ability to minimize environmental problems (Fatwadi et al., 2016), such as by continuously reviewing credit with environmental impact. An eco-friendly bank raises the bank itself and can influence other business actors' behavior to be socially and environmentally responsible for the welfare of the community (Handajani et al., 2019; Nugraheni et al., 2020).

Conclusion

The research results show that the frequency of Board of Commissioners meetings, Audit Committee meetings, and SSB meetings as the proxies of CG significantly and positively affect

ISR. These findings imply that supervision through the meetings of the Board of Commissioners, Audit Committee, and Sharia Supervisory Board plays a key role in detecting ISR to maintain sustainability in Islamic banks. CG in Islamic banks continuously seeks to maintain sustainability in Islamic banks, including the support for stakeholders.

These findings imply that the parties related to CG in Indonesian Islamic banks are inseparable from the role of stakeholders. Islamic banks can identify parts of CG that influence ISR which is suitable to stakeholder needs. Based on the research results, essential implications include prioritizing stakeholders to maintain company sustainability. Understanding CG characteristics in Islamic banks helps detect uncertainty, especially regarding sustainability. ISR is a form of Islamic bank accountability that shows that Islamic banks always prioritize stakeholders, including supporting the roadmap of the Islamic banking development era prepared by the Financial Services Authority. For regulators, this research can improve supervision in Indonesian Islamic banks. Finally, these findings can contribute to the role of CG in Islamic banks to encourage better supervision and maintain sustainability.

The focus of this research is to examine, which is limited to, seven corporate governance variables to explain ISR disclosure in Islamic banks of Indonesia for the 2015-2022 period. Therefore, adding other variables in the context of CG is highly recommended for future researchers, such as the Risk Monitoring Committee using an institutional theory approach.

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