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The Effect Of The Sharia Supervisory Board (SSB) And Financial Performance On The Disclosure Of The *Islamic Social Report* (ISR) Analysis Before And After The Merger

(Case Studies on Companies of Bank BRI Syariah, Bank Syariah Mandiri, and Bank BNI Syariah Listed on the Indonesia Stock Exchange for the 2020-2021 Period)

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Abstract

This study aims to examine the influence of the sharia supervisory board and financial performance on Islamic Social Reporting before and after the merger to become Bank Syariah Indonesia. Financial performance is proxied using ROA, the population in this study are Islamic banks listed on the Indonesia Stock Exchange operating in 2020-2021. The sampling technique used a purposive sampling technique, and 4 samples were obtained. The analytical method used to test the hypothesis is the Different Test and multiple regression analysis. The results of this study indicate that the sharia supervisory board has effect on Islamic Social Reporting (ISR), while financial performance has effect on Islamic Social Reporting (ISR). The sharia supervisory board and financial performance have an influence on Islamic Social Reporting (ISR).

Keywords: Sharia Supervisory Board, Financial Performance, Islamic Social Reporting

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Abstrak

Penelitian ini bertujuan untuk menguji pengaruh dewan pengawas syariah dan kinerja keuangan terhadap Pelaporan Sosial Syariah sebelum dan sesudah merger menjadi Bank Syariah Indonesia. Kinerja keuangan diproksi menggunakan ROA, populasi dalam penelitian ini adalah bank syariah yang terdaftar di Bursa Efek Indonesia yang beroperasi pada tahun 2020-2021. Teknik pengambilan sampel menggunakan teknik purposive sampling, dan diperoleh 4 sampel. Metode analisis yang digunakan untuk menguji hipotesis adalah Analisa uji beda dan regresi berganda. Hasil penelitian ini menunjukkan bahwa dewan pengawas syariah berpengaruh terhadap Islamic Social Reporting (ISR), sedangkan kinerja keuangan berpengaruh terhadap Islamic Social Reporting (ISR). Dewan pengawas syariah dan kinerja keuangan memiliki pengaruh terhadap Islamic Social Reporting (ISR).

Kata Kunci: *Dewan Pengawas Syariah, Kinerja Keuangan, Pelaporan Sosial Islami.*

1. Introduction

Indonesia as a country with the largest Muslim population in the world, which has the potential to become a leader in the Islamic finance industry. Sharia banks play an important role as facilitators in all economic activities in the halal industry ecosystem. The existence of the Islamic banking industry in Indonesia itself has experienced a very significant increase and development in the past three decades. Product innovation, service improvement, and network development show a positive trend from year to year.

Sharia Banks owned by state-owned banks are no exception, namely Bank Syariah Mandiri, BNI Syariah, and BRI Syariah. The development of the banking world, makes a number of banks do the best service for their customers. One of the better performance can be seen from the development of increasing Islamic banking assets which can be seen from Figure 1.

Islamic banks are contained in PSAK No. 101 of 2017 concerning the presentation of Islamic financial statements. So that this is a trigger for thinking about social responsibility reporting based on Islamic values which is often referred to as Islamic Social Reporting (ISR) (Abadi, Mubarok, &; Sholihah, 2020).

(Rostiani & Sukanta, 2018) stated that SSB has a positive influence on ISR while on profitability does not have a significant effect on ISR. Khadijah Ath Thahirah & Rahmaita, (2018) shows that ISR disclosure carried out by BUS is still below average, but some Islamic Banks have disclosed ISR very well. (Murdiansyah, 2021) shows that variable leverage does not have an influence on Islamic Social Reporting (ISR) disclosure.

Figure 1. Development of Sharia Banking Assets

Source : Snapshot of OJK Sharia Banking Indonesia, June 2020

The size of the sharia supervisory board has no influence on Islamic Social Reporting (ISR) disclosures. Laras Clara Intia & Siti Nur Azizah, (2021) also found that the sharia supervisory board has no effect on financial performance. Thus, the first hypothesis that the variables of the Islamic supervisory board have a positive effect on financial performance are rejected. This means that the function and role of the sharia supervisory board only revolves around supervising and assessing the sharia aspects of sharia banking operations, products and services.

Therefore, it is necessary to re-examine the impact of SSB and financial performance on ISR. For now, after the merger made to the three largest Islamic banks in Indonesia, Bank Syariah Indonesia's rating rose to the 5th position of national banks based on assets and economic performance. based on data released in June 2021, namely in detail with total assets of IDR 247.30 trillion, total financing of IDR 161.50 trillion, total third party funds of around IDR 216.39 trillion. (www.keuangan.kontan.co.id).

2. Theoretical Framework and Hypothesis Development

2.1 Islamic Social Reporting (ISR)

Islamic Social Reporting (ISR) is a sharia-based social responsibility concept that emerged from the thoughts of a researcher from Malaysia named (Haniffa, 2002) which was then further developed by other researchers. The existence of this concept is motivated by the assumption that in conventional social responsibility reporting there are limitations which cannot be applied within the scope of sharia (Kurniawati & Yaya, 2017)

The Islamic Social Reporting (ISR) in Table1 is an extension of social performance reporting standards that include societal expectations not only regarding the role of companies in the economy, but also in a spiritual perspective, and emphasizes social justice related to the environment, minority rights, and employees. Islamic Social Reporting (ISR) disclosures can be measured by the number of index disclosed divided by the total disclosure index, and is usually located in its annual report.

2.2 Sharia Supervisory Board

The Sharia Supervisory Board is an independent body tasked with directing, reviewing, and supervising the activities of Islamic financial institutions for reasons of complying with sharia, as well as issuing legal rulings relating to Islamic banking and finance. If the implementation of the duties and responsibilities of the sharia supervisory board has been carried out properly, then the disclosure of ISR in the annual report will be good.

The measurement of the sharia supervisory board uses dummy variables where if the Islamic Bank has three or more sharia supervisory boards, it is given a value of 1, and if there are not enough three sharia supervisory boards, it is given a value of 0. Furthermore, for sharia supervisory board education, if a doctorate is given a grade of 1, and if not a doctor, it is given a value of 0.

2.3 Sharia Banking

Islamic banking is a banking system that runs on the principles of Islamic law. The key word is the prohibition of the use of interest (usury loans) in loan transactions. Furthermore, Islamic banks are also prohibited from making investments with "Riba" interest. The development of Islamic banks began in 1992 when Bank Muamalat Indonesia (BMI) was established. In practical terms, Sharia Banks provide banking services that are sourced or based on Islamic law and law.

2.4 Financial Performance

Financial performance is the work ability of financial management in achieving its performance achievements. Company performance can be seen from the financial aspect through financial statements that describe how successful the financial performance of a company.

While one of the measuring tools used to measure financial performance is to perform a ratio analysis technique. In this study, the financial performance ratio used is the profitability ratio. Profitability is the ability of a company to make a profit through all company operational activities and resources owned such as sales activities, the amount of capital, the number of employees, the amount of cash, and the number of branches. In financial performance, measurements are used, namely.

2.5 Profitability

Banks with high profitability will provide more detailed information. Profitability can be measured by the percentage ratio between pre-tax profit and total assets. Profitability that reflects the final value of all financial policies using ROA (Return on Assets) formulated by:

$$ROA = \frac{\boxed{\text{Net Profit After Tax}}}{\boxed{\text{Total Assets}}}$$

2.6 Bank Syariah Indonesia

One of the better performance can be seen from the development of increasing Islamic banking assets. Even the spirit to accelerate is also reflected in the number of Islamic banks that carry out collaborative actions. Sharia Banks owned by state-owned banks are no exception, namely Bank Syariah Mandiri, BNI Syariah, and BRI Syariah. Right on February 1, 2021, which coincides with the 19th Jumadil Akhir 1442 H, it is a historical marker of the merger of Bank Syariah Mandiri, BNI Syariah, and BRI Syariah into one entity, namely Bank Syariah Indonesia (BSI).

This merger will unite the advantages of the three Islamic Banks so as to provide more complete services, wider coverage, and have better capital capacity. Supported by synergy with parent companies (Mandiri, BNI, BRI) and government commitment through the Ministry of SOEs, Bank Syariah Indonesia is encouraged to be able to compete at the global level.

2.7 Bank BRI Syariah

The establishment of BRI Syariah began with the acquisition of PT. Bank Rakyat Indonesia (Persero), Tbk., against Bank Jasa Arta on December 19, 2007 and after obtaining permission from Bank Indonesia (BI) on October 16, 2008 through letter Number: 10/67/KEP. GBI/DpG/2008, and then on November 17, 2008, PT. Bank BRI Syariah officially operates. Furthermore, it changed its business activities which were originally operating conventionally, then changed to banking activities based on sharia principles.

For more than 2 years, BRI Syariah has emerged as a leading modern retail bank with financial services based on customer needs with the easiest reach for a more meaningful life. PT. Bank Rakyat Indonesia (Persero), Tbk., BRI Syariah activities are getting stronger after on December 19, 2008 the deed of separation of Sharia Business Unit of PT. Bank Rakyat Indonesia (Persero), Tbk., to merge into PT. Bank BRI Syariah which became effective on January 1, 2009. The signing was carried out by Mr. Sofyan Basir as

President Director of PT. Bank Rakyat Indonesia (Persero), Tbk., and Mr. Ventje Rahardjo as President Director of PT. Bank BRI Syariah.

2.8 Bank Syariah Mandiri

Bank Syariah Mandiri (operating under the name Mandiri Syariah) is a banking institution in Indonesia. This bank was established in 1955 under the name Bank Industri Nasional. This bank changed its name several times and last changed its name to Bank Syariah Mandiri in 1999 after previously named Bank Susila Bakti which was owned by the Bank Dagang Negara Employee Welfare Foundation and PT Mahkota Prestasi.

In 1955 established PT Bank Industri Nasional, 1967 changed its name to PT Bank Maritim Indonesia, 1973 changed its name to PT Bank Susila Bakti, 1999 Bank Mandiri became the majority shareholder of Bank Susila Bakti, 1999 changed its name to PT Bank Syariah Mandiri and ran sharia banking businesses after previously becoming a conventional bank, 2002 got the status of a foreign exchange bank, February 1, 2021 merged with Bank BNI Syariah and Bank BRI Syariah, which later changed its name to Bank Syariah Indonesia.

2.9 Bank BNI Syariah

Based on Law No.10 of 1998, on April 29, 2000 BNI Sharia Business Unit (UUS) was established with 5 branch offices in Yogyakarta, Malang, Pekalongan, Jepara and Banjarmasin. Furthermore, UUS BNI continues to grow to 28 Branch Offices and 31 Sub-Branch Offices.

In addition, customers can also enjoy sharia services at BNI Conventional Branch Offices (office channelling) with approximately 1500 outlets spread throughout Indonesia. In addition, the Government's commitment to the development of Islamic banking is getting stronger and awareness of the advantages of Islamic banking products is also increasing. September 2013 the number of BNI Syariah branches reached 64 Branch Offices, 161 Sub-Branch Offices, 17 Cash Offices, 22 Mobile Service Cars and 16 Payment Points.

3. Research Hypothesis

3.1 The Influence of Sharia Supervisory Board on Islamic Social Report Disclosure before and after merger into Bank Syariah Indonesia.

According to (Rostiani & Sukanta, 2018) the first hypothesis (H1) that has been formulated in this study is that the sharia supervisory board has a significant positive effect on the disclosure of Islamic Social Reporting (ISR).

The results of partial statistical testing show that the sharia supervisory board has a significant positive effect on the disclosure of Islamic Social Reporting (ISR). In other words, the greater the number of sharia supervisory boards, it will make supervision of the fulfillment of sharia principles in the business activities of sharia commercial banks more effective.

According to (Murdiansyah, 2021) that the variables of the Sharia Supervisory Board do not affect the disclosure of the Islamic Social Report (ISR). So no matter how many sharia supervisory boards have no influence on the Islamic Social Report. Meanwhile, according to (Annisa Rama Sari, 2022) that the variables of the sharia supervisory board have a positive effect on the disclosure of the Islamic Social Report.

H1: The Sharia Supervisory Board has a positive influence on the disclosure of Islamic Social Reporting (ISR).

3.2 The Effect of Financial Performance on the Disclosure of Islamic Social Report before and after the merger into Bank Syariah Indonesia

Stakeholder theory deals with financial performance variables. Stakeholder theory is a theory that is directly related to the company's financial performance. In this theory using stakeholder theory, it is said that the company is not an entity that only operates for its own interests, but must also benefit its stakeholders.

This theory also states that every company wants a high level of profitability, as well as shareholders who expect a return on investment in a company.

One of the strategies used by the company to maintain relationships with stakeholders is to disclose social and environmental information, that financial performance variables have a positive effect on the Islamic Social Report as evidenced by the calculation of the ROA ratio which shows the company's success in generating profits. (Annisa Rama Sari, 2022). According to (Murdiansyah, 2021) that measuring financial performance on leverage does not have a significant effect on the Islamic Social Report.

Meanwhile, according to (Rostiani & Sukanta, 2018) stated that the measurement of profitability in financial performance against the Islamic Social Report has a positive effect because profitability shows the income statement in terms of profits of a company.

H2: Financial performance has a positive effect on the disclosure of the Islamic Social Report.

3. Research Methods

The object of research is the company Bank Syariah Indonesia against Bank Syariah Mandiri, Bank BNI Syariah, and Bank BRI Syariah listed on the Indonesia Stock Exchange (IDX) in the 2020-2021 period.

This data is taken from the website www. Idx.co.id and the author also sought information from internet sources and financial statements of the bank.

Table 1. ISR measurement

Fundamentals of Islamic Social Reporting	
A. Funding and investment themes	
1.	Activities containing usury
2.	Activities that contain obscurity
3.	Zakat (amount and recipient of zakat)
4.	Policy on delayed payments and write-off of bad debts
5.	Investment activities (in general)
6.	Project financing (in general)
B. Product and Service Theme	
7.	SSB approval for a new product
8.	Definition of each product
9.	Service for customer complaints
C. Employee Theme	
10.	Employee composition
11.	Employee working hours
12.	Employee salary/benefits ratio
13.	Employee remuneration
14.	Employee education and training (HR development)
15.	Equality of rights between men and women/employee engagement
16.	Appreciation of outstanding employees
17.	Employee health and safety
18.	Working environment
19.	Time of worship/religious activity
20.	A crowded place of worship for employees
D. Community Theme	
21.	Donation (sadaqah)
22.	Endowments
23.	Loans for good (qard hasan)
24.	Zakat, donations and volunteers from employees and customers
25.	Educational programs (scholarships, construction of schools and other educational facilities)
26.	Empowering the work of school/college graduates
27.	Development of the younger generation
28.	Improving the quality of life of the community (economic empowerment)
29.	Care for children (orphans)
30.	Supporting social community or health or sports activities
E. Environment Theme	
31.	Environmental conservation
32.	Activities to reduce the effects of global warming (minimizing pollution, wastewater treatment, clean water management.
33.	Environmental education
34.	Environmental awards/certifications
35.	Environmental management system
F. Manage Company Theme	
36.	Sharia compliance status
37.	Details of the name and profile of the board of commissioners
38.	Performance of commissioners (implementation of responsibilities and number of meetings)
39.	Board of commissioners remuneration
40.	Details of the name and profile of the board of directors/management
41.	Performance of the board of directors (implementation of responsibilities and number of meetings)
42.	Remuneration of the board of directors
43.	SSB name and profile details

44.	SSB performance (implementation of responsibilities and number of meetings)
45.	SSB Remuneration
46.	Shareholding structure
47.	Anti-corruption policy
48.	Anti-money theft and other deviant practices policies

3.1 Population and Sample

The population in this study is the number of annual reports of Islamic banks, namely Bank BRI Syariah, Bank Syariah Mandiri, and Bank BNI Syariah in the 2020-2021 period. The population in this study is the three Islamic banking companies listed on the Indonesia Stock Exchange totaling 4 bank units before and after the merger into Bank Syariah Indonesia.

The samples used in this study are Islamic banking companies, namely Bank Syariah Indonesia, and Islamic banks incorporated (merger) in Bank Syariah Indonesia, namely Bank BRI Syariah, Bank Syariah Mandiri, and Bank BNI Syariah in the 2020-2021 period. So the total sample used in this study is 4 banks multiplied by 1 year, i.e. 4.

4. Result, Discussion, and Managerial Implication

4.1 Data Analysis Results

Based on the results of the statistical test of the study, the first hypothesis proposed (H1), namely the Sharia Supervisory Board (X1) influenced the disclosure of the Islamic Social Report (ISR), accepted because the sig value on the Paired Samples Test was 0.023 < 0.005. Thus, the variables of the sharia supervisory board influence the disclosure of the *Islamic Social Report* (ISR).

The second hypothesis (H2), namely financial performance (X2) has an influence on the disclosure *of the Islamic Social Report* (ISR), is accepted because the sig value on the Paired Samples Test is 0.003 < 0.005. Thus, financial performance variables influence the disclosure of the *Islamic Social Report* (ISR). Which corresponds to table 2.

4.2 Discussion

1. Differences between Sharia Supervisory Board and Islamic Social Report before and after merger

The variable size of the Sharia Supervisory Board influences the disclosure of Islamic Social Reporting (ISR). The reason may be that the large number of sharia supervisory boards will make supervision of the fulfillment of sharia principles in the business activities of Islamic banks more effective. The main task and main concern of the sharia supervisory board is in terms of sharia compliance, among others, supervising the activities of distributing zakat funds, infak, alms which can be recognized as a form of corporate Islamic Social Reporting.

So it is undeniable that a considerable

number of sharia supervisory boards with diverse perspectives, experience, competence in both banking and finance, as well as expertise in matters of Islamic law guarantee to make bank performance more effective and can result in better reviews of corporate reporting, especially in terms of corporate governance and disclosure of Islamic Social Reporting.

The results of this study are in accordance with research (Siti Sara Rostiani, Tuntun A Sukanta, 2018) which found that the first hypothesis (H1) that has been formulated in this study that the sharia supervisory board has a significant positive effect on the disclosure of Islamic Social Reporting (ISR).

The results of partial statistical testing show that the sharia supervisory board has a significant positive effect on the disclosure of Islamic Social Reporting (ISR). And research (Annisa Rama Sari, 2022) that the variables of the sharia supervisory board have a positive effect on the disclosure of the Islamic Social Report.

2. Differences between Financial performance of Islamic Social Report before and after merger

Based on Table 3, the first hypothesis (H1) formulated in this study is that financial performance affects the disclosure of Islamic Social Reporting (ISR). However, the results of partial statistical testing show that financial performance has an effect on Islamic Social Reporting (ISR) disclosure. In other words, the size of profits then has an impact on the size of the disclosure of Islamic banking social performance.

The results of this study are in line with research (Siti Sara Rostiani, Tuntun A. Sukanta, 2019) stating that the measurement of profitability in financial performance against the Islamic Social Report has a positive effect because profitability shows the income statement in terms of profits of a company. And research by (Annisa Rama Sari, 2022) that financial performance variables have a positive effect on the Islamic Social Report as evidenced by the calculation of the ROA ratio which shows the company's success in generating profits.

Obligations to Islamic banks are the main source of profit generation with a profit-sharing system. Meanwhile, in non-sharia entities, obligations are capital injections to maximize profits. This indicates that disclosure of sharia social responsibility in Islamic banking has become an obligation in both low and high leverage conditions.

5. Conclusions, Suggestions, and Limitations

The results of this study prove that the number of SSB, and the background of the SSB education field, the level of SSB education has a positive influence in ISR disclosure.

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Table 2. t Test Results

Coefficients[a]

Model	Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
(Constant)	.092	.062		.492	.040
SSB (X1)	.730	.065	2.027	7.317	.003
FINANCIAL PERFORMANCE (X2)	.034	.004	1.433	5.001	.020

a. Dependent Variable: ISR (Y)

Source: Data processed by the author

Table 3. Difference Test

Paired Samples Test

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference Lower	95% Confidence Interval of the Difference Upper			
Pair 1	Sharia Supervisory Board - Islamic Social Report	-.00521	.22138	.11069	-.35747	.34706	-.047	3	.023
Pair 2	Financial Performance - Islamic Social Report	2.62050	4.40624	2.20312	-4.39081	9.63181	.049	3	.003

Source: Data processed by the author

Islamic banks is also positively influenced by the size of the bank, the number of board of commissioners, and the level of profitability.

This research shows that profitability affects the disclosure of Islamic Social Reporting (ISR), and the size of the Sharia Supervisory Board (SSB) affects the disclosure of Islamic Social Reporting (ISR). This research shows that Sharia Supervisory Boards (SSB) and financial performance have a positive effect on the disclosure of Islamic social reports (ISR).

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