JDA Jurnal Dinamika Akuntansi
Vol. 15, No. 1, March 2023, pp. 1-12

p-ISSN 2085-4277 | e-ISSN 2502-6224
http://journal.unnes.ac.id/nju/index.php/jda

Transparency of Shariah Supervisory Board Information in Islamic Banks of Indonesia and Malaysia: The Effect of Islamic Corporate Governance

Gusrianti[1]✉ and Putri Hendra Sari[2]

[1,2]Islamic Accounting Department, Faculty of Islamic Economics and Business, UIN Sjech M. Djamil Djambek Bukittinggi, Indonesia
Jalan Gurun Aua, Kubang Putiah, Bukittinggi, Indonesia

DOI: http://dx.doi.org/10.15294/jda.v15i1.38232

Submitted: August 16th, 2022 Revised: December 23rd, 2022 Accepted: February 22nd, 2023 Published: March 09th, 2023

Abstract

Research purposes: This study aims to determine the level of transparency of Islamic banks in Indonesia and Malaysia by looking at the level of transparency of information related to the Sharia Supervisory Board (SSB) in Islamic banks in both countries and the influence of various characteristics of SSB on the disclosure of SSB Information by Islamic Bank in both countries.
Methods: The study covers the period 2012-2019 and the research data was obtained by conducting content analysis on the annual reports of Islamic banks in both countries. Data analyzed by using multiple regression analysis with panel data.
Findings: The results of the regression test show that the size and expertise of SSB have no effect on the disclosure of SSB by Islamic banks in Indonesia and Malaysia. SSB cross-membership has a positive effect on SSB-related disclosures in both countries. This study shows that the experience and knowledge gained by SSB members from their positions as SSB at various other Islamic financial institutions has a positive influence on the ability of SSB to increase the transparency of information about SSBs in Islamic banks.
Novelty: This study contributes to providing empirical evidence and literature on the importance of the role of SSB in determining the level of transparency carried out by Islamic, particularly regarding SSB information, in 2 ASEAN countries which are included in the top 5 countries that have the most developed Islamic economy and finance in the world.

Keywords: *Transparency, Shariah Supervisory Board, Islamic Corporate Governance*

How to cite (APA 7th Style)
Gusrianti & Sari, P.H. (2023). Transparency Sof Shariah Supervisory Board Information in Islamic Banks of Indonesia and Malaysia: The Effect of Islamic Corporate Governance. Jurnal Dinamika Akuntansi, 15(1), 1-12.

INTRODUCTION

The difference between conventional banking systems and Islamic banks requires different approaches, one of which is in terms of governance, especially in terms of information disclosure by the company (Hamza, 2013; Waemustafa & Abdullah, 2015). Stakeholders' need for comprehensive information, especially related to sharia aspects, requires Islamic banks to disclose certain information to stakeholders as a form of accountability. This is further strengthened by

author (✉)
E-mail: gusriantigmn17@gmail..com

the fact that there are differences in the amount and type of information required by stakeholders in Islamic banks compared to stakeholders in conventional banks. Stakeholders in Islamic banks also need other information related to sharia compliance. Furthermore, comprehensive disclosures are increasingly needed by Islamic bank stakeholders, especially customers, because currently the level of disclosure made by Islamic banks is also still less than what is expected (Maali et al., 2006; Smolo & Mirakhor, 2010). Comprehensive information disclosure is carried out so that stakeholders know that the bank's business processes are in accordance with Islamic principles (Violita et al., 2014).

The Sharia Supervisory Board (SSB) is one of the unique and important mechanisms in Islamic financial institutions as a form of sharia governance to ensure sharia compliance of various Islamic financial institutions. SSB supervises, reviews, and evaluates every activity and operation of a Islamic banks to comply with Islamic principles (Haniffa & Hudaib, 2007; Magalhães & Al-Saad, 2013). So it is necessary to study SSB-related disclosure to see its competence and independence because this competence and independence will affect the sharia compliance opinion issued by SSB (Abdullah et al., 2013). In addition, SSB-related disclosure needs to be carried out by Islamic banks so that stakeholders can find out what roles and activities of SSB in an Islamic bank. In other words, transparent disclosure of information related to SSB is one of the efforts so that stakeholders have complete information about SSB and to increase the credibility of SSB opinion on sharia compliance of Islamic banks.

Research related to SSB and SSB disclosure in Islamic banks needs to be done because so far research on Islamic governance has focused more on its relation to the disclosure of other aspects such as CSR disclosure (e.g, Farook et al., 2011; Maali et al., 2006). Several studies have looked at governance in Islamic banks and their relation to disclosures made by Islamic banks such as Abdullah et al. (2013). Research on SSB and its relation to disclosure is often conducted in the context of the Gulf Cooperation Council, Middle Eastern & North Africa (MENA) region, and South Asia, such as Bukair & Abdul-Rahman (2015) and Farook et al. (2011) which looks at the relationship between governance and CSR. In addition, Hameed (2009) who examined SSB reports in Bahrain and Pakistan.

This study examines the effect of various SSB characteristics on SSB information transparency conducted by Islamic banks, in the context of Indonesia and Malaysia. This research is important considering that Indonesia and Malaysia are Muslim-majority countries and have the largest Muslim population in the world and are currently competing with Bahrain to become one of the centers of Islamic financial services in the world (Abdullah et al., 2013). In the Islamic Finance Country Index 2018 and 2019 Global Islamic Finance Reports issued by Cambridge Institute of Islamic Finance (2019), Indonesia and Malaysia are among the top-ranked countries. State of Global Islamic Economy Report 2019/20 issued by DinarStandard (2020) showed that Indonesia and Malaysia are top 5 countries. The existence of this research will provide new insights into the practice of sharia governance in Islamic financial institutions, particularly banking, in Indonesia and Malaysia. This research will provide different information from previous research which focuses more on the region of the Gulf Cooperation Council countries, the Middle East and North Africa, and South Asia.

This research is a development of research conducted by Abdullah et al. (2013). The difference between this study and the research of Abdullah et al. (2013) are (a) this research was conducted in the context of Indonesia and Malaysia with a longer research period/range, namely 2012-2019; (b) more and more balanced research samples in line with the increase in the number of Islamic banks in both countries (30 Islamic banks); and (c) using panel data. The research year 2012 was chosen because in 2012 the number of Islamic banks in Indonesia had grown and the reports published by each Islamic bank were complete, so the number of samples between Islamic banks in Indonesia and Malaysia was not too unequal. This allows researchers to analyze and draw conclusions from research results.

LITERATURE REVIEW

Stakeholder Theory

Stakeholders are various parties, either individuals or groups, who can influence and/or be influenced by various actions taken by companies or institutions in achieving their goals (Parmar et al., 2010). Stakeholder theory states that companies/institutions carry out their activities by considering the interests of stakeholders, not only aiming to achieve the goals of the company/institution. Companies provide information to obtain and maintain stakeholder support by making disclosures as a form of transparency and accountability (Deegan, 2002; Islam & Deegan, 2008). Thus, the disclosure made by Islamic banks is a form of effort to show that the bank operates with stakeholders in mind, by ensuring that the company's activities are in accordance with the expectations of stakeholders, based on Islamic principles so as to obtain stakeholder support for the operations of the Islamic banks.

Legitimacy Theory

Legitimacy theory states that companies will try to carry out activities that are in accordance with the boundaries of norms and regulations in society (Brown & Deegan, 1998). Legitimacy will lead to the acceptance of an environment/society towards the institution. This acceptance is something that encourages community support for the companies activities. The existence of this support is very important for the company because it will affect the continuity and sustainability of the company's activities/operations in an community (O'Donovan, 2002).

Disclosure is required related to legitimacy, stakeholder support, and compliance with Islamic principles regarding sharia compliance from a sharia financial institution (Abdullah et al., 2013). Legitimacy theory is the possible actions that the company will take in suppressing potential losses that arise from public perceptions of the existence and actions of the company (O'Donovan, 2002). In the context of this research, Islamic banks need to gain legitimacy as banks with operations based on Islamic principles by disclosing comprehensive information to form a positive perception. Public acceptance and success of this Islamic bank is highly dependent on the public's belief that this bank is indeed different from conventional banks, operating in accordance with Islamic principles.

Transparency of Shariah Supervisory Board Related Information

Archer et al., (1998) defines transparency as a tool that can be used by market participants to obtain the information needed in order to allocate resources. AAOIFI (2015) sees transparency as an activity or condition, namely providing sufficient, reliable and relevant information for stakeholders. Meanwhile, BCBS (1998) specifically states that in the context of banking, transparency is the provision of timely and reliable information that enables stakeholders to assess the performance and soundness of banks, business activities, and risk profiles and risk management practices carried out by banks. From these various views, it can be concluded that transparency is the provision of sufficient, reliable, and relevant information for stakeholders to assess the performance and activities of the company. Companies are considered transparent when making appropriate and adequate disclosures (AAOIFI, 2015).

Corporate Governance in Islamic Bank

Islamic governance is a system implemented based on Islamic principles and controlled by a SSB to ensure that the activities of sharia financial institutions are in accordance with Islamic principles (Grassa, 2013). Islamic governance consists of corporate governance and sharia governance (Jan et al., 2021). Thus, Islamic banks apply dual governance systems, namely governance as contained in the conventional context and special governance for institutions operating in accordance with Islamic principles.

SSB is one of the unique mechanisms (Jan et al., 2021; Mollah et al., 2017) and is important in Islamic financial institutions to oversee bank operations and their products in accordance with Islamic principles (Antonio, 2001). SSB supervises, reviews, and evaluates activities of Islamic banks to comply with Islamic rules (Haniffa & Hudaib, 2007; Magalhães & Al- Saad, 2013). The role of the SSB can be classified into a consultative role and a supervisory role (Boulanouar & Alqahtani, 2016; Grassa, 2013). SSB has a consultative role when developing new financial products and a supervisory role to ensure that the company's operations and activities are carried out in accordance with Islamic principles.

Islamic Banking and Governance in Indonesia and Malaysia

Indonesia uses a dual-banking system, a banking system where Islamic banks and conventional banks grow together with government support (Abdullah et al., 2013). Indonesia uses a decentralized sharia governance model, such as the Gulf Cooperation Countries (GCC), such as Saudi Arabia, Kuwait, Bahrain, Qatar, United Arab Emirates, Yemen and Gambia (Hamza, 2013). Each Islamic bank must have its own internal mechanism to oversee the activities and operations of the company in accordance with Islamic principles. In Indonesia, this mechanism is run by the Shariah Supervisory Board known as the Shariah Supervisory Board (SSB) which wa established in accordance with the regulations of Bank Indonesia and the Financial Services Authority. SSB members from each Islamic bank must be reported to and approved by Bank Indonesia. There are several provisions regarding SSB set by Bank Indonesia, such as the minimum number of SSB members 50% of the total BoD, SSB holds a meeting at least once a month, and SSB members serve as SSB in a maximum of 4 Islamic financial institutions.

Malaysia uses a centralized shari'ah governance model, where the highest authority in supervising the compliance of Islamic banks in Malaysia is carried out by the Sharia'ah Advisory Council. The governance of Islamic banks is monitored centrally, but Islamic bank is still required to have SSB as an internal mechanism of sharia governance (Hamza, 2013). Bank Negara Malaysia has formulated a framework related to shariah governance, and the latest development was carried out in 2010. These guidelines are similar to general governance guidelines such as the guidelines for the governance of the National Committee on Governance.

Prior Research and Hypotheses Development

The existence of an SSB will encourage bank management to disclose matters related to sharia (Abdullah et al., 2013). Various previous studies on non-sharia corporate governance still find different results on how the size of the board of commissioner affects its effectiveness in carrying out the supervisory function of the board of directors. Board size is positively related to the disclosure of Environmental Social, and Governance (ESG) in South American companies (Husted & Sousa-Filho, 2018). Companies with a higher number of boards are more likely to disclose their internal strategy and corporate resources to public companies in Kenya (Abeysekera, 2010). On the other hand, Elgammal et al. (2018) found a negative relationship between the number of boards (non-executive directors) and risk disclosure in Qatari companies.

Farook et al., (2011) found that certain characteristics of SSB affect the level of disclosure. Bukair & Abdul-Rahman (2015) did not find a relationship between the characteristics of the board of directors in Islamic banking companies in GCC countries and concluded that decisions related to CSR disclosure are determined by factors such as the size of the Islamic bank concerned, not because of the governance structure. This is different from the findings of Bukair & Rahman (2013) that a larger SSB size is effective in monitoring Islamic bank activities related to social issues based on Islamic principles and rules.

Previous research found different results related to the number of SSB members and their effect on the effectiveness of the SSB in carrying out their duties, for example in research in GCC countries, such as Qatar. In addition, Samaha et al. (2015) found that most studies concluded that board size is positively related to disclosure. Logically, a larger board size is expected to increase the number of expertise due to the large number of human resources (Hidalgo et al., 2011) thereby increasing the effectiveness of the board which has implications for more disclosure (Gandía, 2008). The same thing is expected to occur in the first hypothesis of this study that there is a positive relationship between the size of the SSB and the transparency of information related to SSB in Islamic banks in Indonesia and Malaysia.

SSB cross-membership is a condition when the SSB of an Islamic bank at the same time also serves as a member or chairman of the SSB in other Islamic financial institutions (Abdullah et al., 2013). Board expertise in a field is very necessary in carrying out its duties (Oehmichen et al., 2017). There are two views on this, the first is cross-membership will increase the effectiveness of SSB in carrying out its role because of its expertise (Samra, 2016) and its status as a supervisory board (Badolato et al., 2014) . The second is cross-membership will cause a conflict of interest for SSB members which can reduce the effectiveness of the SSB, because it reduces independence from the duality of positions (Qoyum et al., 2017).

Abdullah et al. (2013) found that cross-membership has a positive effect on the disclosure of SSB by Islamic banks. This is because in the context of Southeast Asian countries, it is suspected that cross-membership occurs due to the need for expertise due to the lack of human resources capable of performing SSB functions properly, regardless of conflicts of interest that may occur. Thus, the second hypothesis that there is a positive relationship between the cross-membership of SSB members and the transparency of information related to SSB in Islamic banks in Indonesia and Malaysia.

SSB must consist of members who have an understanding of Islamic principles and expertise in finance, accounting, and economics in order to carry out their role properly (Samra, 2016). Improving the quality of SSB is expected to increase the quantity of disclosure (Hidalgo et al., 2011) because a more expert board can use its ability to carry out more effective governance oversight, and improve signaling by management. Abdullah et al. (2013) found that expertise in banking, economics, or finance of SSB members has an effect on SSB disclosures made by Islamic banks. Muda (2017) found that board expertise is positively related to disclosure. The third hypothesis is that there is a positive relationship between the expertise of SSB members and the transparency of information related to SSB in Islamic banks in Indonesia and Malaysia.

Tabel 1. Sample

Country	Year	Sample Criteria		
		Population	**Companies having incomplete financial data**	**Sample**
Indonesia	2012	11	1	10
	2013	11	1	10
	2014	11	1	10
	2015	11	1	10
	2016	11	0	11
	2017	11	0	11
	2018	11	0	11
	2019	11	0	11
Malaysia	2012	8	1	7
	2013	8	1	7
	2014	8	1	7
	2015	8	0	8
	2016	8	0	8
	2017	8	0	8
	2018	8	0	8
	2019	8	1	7
Total				**144**

METHODS

A total of 144 observations were sampled for this research (see Table 1). This research was conducted on Islamic Bank operated in Indonesia and Malaysia. The data of this study were obtained from the annual reports and media publications (official websites) of Islamic banks, while the control variable data was obtained from the financial statements and/or annual reports, which were then analyzed using a panel data regression model. In this study, classical assumption testing was also carried out to ensure that the model used in the study met the Best Linear Unbiased Estimator (BLUE) criteria. The population in this study are Islamic banks in Indonesia and Malaysia. The sample selection is a purposive sampling technique where the sample published a complete 2012-2019 annual report for the year ended December 31 and had complete financial and governance data used in this study. Data obtained by conductiong content analysis and analyzed using multiple regression analysis.

Variable Definition

The dependent variable in this study is the transparency of information related to SSB which is the disclosure of all matters related to SSB (SSB reports, remuneration, and SSB activities). If Islamic Bank company makes SSB report, disclosing information about SSB's remuneration, background, and activities of SSB, it is worth 1. An example of how to score SSB-related information is presented below:

To obtain the value of the disclosure variable, a scoring is carried out on the items disclosed. Scoring is done by referring to the scoring item that has been developed by Abdullah et al. (2013).

$$SSBD_{it} = \frac{\Sigma D_{it}}{n} \quad (1)$$

SSBD : SSB related information disclosure

ΣD_{it} : Disclosure score of company i in year t

n : Maximum score if all items are disclosed

There are 3 independent variables in this study which are characteristics of SSB (SSB size, SSB cross-membership, and SSB expertise). SSB size is measured by the total number of SSB members divided by the average total number of SSB members observed per country. This is done to control the difference in regulations regarding the number of SSB members required in Indonesia (minimum 2 people) and Malaysia (minimum 5 people). SSB cross-membership is the

Table 2. SSB Disclosure

Items of Disclosure	*Score*	*Hypothetical Bank "X"*
1. Report of SSB	1	1
2. Duties and responsibilities	1	1
3. Remuneration	1	1
SSB members' background		
4. Membership and charter	1	1
5. Educational background	1	1
6. Experience	1	1
Activity conducted		
7. SSB meetings	1	1
8. Shari'ah audit	1	0
9. Shari'ah compliance procedures	1	1
	9	0

Notes: Overall Score for Hypothetical Bank "X" is = 8/9= 88,89

Source: SSB Disclosure Index Abdullah et al. (2013)

Table 3. Measurement for Research Variables

SSB Characteristics	Measurements	Supporting Literature
Cross-membership of SSB	1 = at least 1 member with cross-membership 0 = no member with cross-membership	Maulana (2018), El-Halaby & Hussainey (2016), Abdullah et al. (2015), Farook et al. (2011)
Sharia Expertise	1 = at least 1 member has Islamic law / shariah – undergraduate qualification 0 = no member has has Islamic law / shariah – undergraduate qualification	Farook et al. (2011), Maulana (2018), Abdullah et al. (2015)
Business and Economic Expertise	1 = at lest 1 member has business and economic – undergraduate qualification 0 = no member has business and economic – undergraduate qualification	Abdullah et al. (2015), Farook et al. (2011)
Accounting Expertise	1 = at least 1 member has accounting – undergraduate qualification 0 = no member has accounting – undergraduate qualification	Farook et al. (2011), Maulana (2018), Abdullah et al. (2015)
Supervisory Expertise	1 = at least 1 member of SSB having experience working as supervisor, overseeing and/ or leading many individuals 0 = no member of SSB having experience working as supervisor, overseeing and/ or leading many individuals	Farook et al. (2011), Maulana (2018), Abdullah et al. (2015)

proportion of the number of SSB members who are SSBs at other Islamic financial institutions at the same time (Abdullah et al., 2013), both as chairman and members. SSB expertise is the total of expertise possessed by SSB member by refering to Badolato et al. (2014) and developed in the context of Sharia, including sharia expertise, economic/financial expertise, accounting expertise, and supervisory expertise (see Table. 2).

In this study, there are also control variables used to control the relationship between the independent variables and the disclosure variables made by the company (the number of SSB meetings, company size, and return on assets). The selection of control variables is in accordance with previous studies that have proven that this variable can affect the amount of disclosure, for example Kuzey & Uyar (2017); Fuente & Lozano (2016). The model used in this study replicates Abdullah et al., (2013), with the addition of several control variables, as suggested by Abdullah et al., (2013):

$$SSBD = \beta_0 + \beta_1 SSB\_Size_{it} + \beta_2 SSB\_CM_{it} + \beta_3 SSB\_Ex_{it} + \beta_4 Bank\_Size_{it} + \beta_5 SSB\_Meeting_{it} + \beta_6 ROA_{it} + \varepsilon$$

RESULTS AND DISCUSSION

Descriptive Statistics

The SSB-related disclosure score (SSBD) can be seen in Table 4. Average SSB-related disclosure score is 0.91, which means Islamic banks have disclosed 91% of the disclosure items tested in this study and the lowest SSB disclosure is 33% of the SSB disclosure items. This indicates

Table 4. Descriptive Statistics

Variabel	N	Mean	Std. Dev.	Min	Max
SSBD	144	0.91	0.1331	0.33	1
SSB_Size	144	3.7	1.88	2	8
SSB_CM	144	0.95	0.22	0	1
SSB_Ex	144	2.9	0.84	0.3333	4
SSB_Meeting	144	13.36	4.885082	10.65	14.57
Bank_Size	144	13.30556	0.77	1	36
ROA	144	0.95	2.81	-20.13	11.15

that most companies have a good level of SSB disclosure. The average number of SSB members (SSB_Size) is 3.7 which means that the average Islamic bank in Indonesia and Malaysia has 4 SSB members.

Cross membership (SSB_CM) has an average of 0.95. This means that 95% of SSB members of Islamic banks also serve as SSBs in other Islamic financial institutions. It can be concluded that most companies continue to recruit SSB members who serve in other Islamic finance institutions despite the attention to the issue of independence of SSB members which is usually a red flag from the existence of cross-member board members. This is an indication that there are still few human resources with the required expertise in the supervision of Islamic aspects. In addition, it shows that almost all Islamic banks want SSB members with cross-membership because they are more expert and experienced in Islamic banking supervision. Meanwhile, the SSB skill has an average of 2.9. That is, the average SSB member has 3 out of 4 skills, indicating that most companies that have SSB have sufficient expertise. This may be because the recruitment process has a certain standard of expertise.

Hypotheses Testing

The results of the regression test to see the effect of various characteristics of SSB on SSB disclosure are presented in Table 3. The results of the regression test show that the coefficient of SSB size is -0.0195 with a p-value of 0.284 (>). This means that there is no relationship between the size of the SSB and the level of disclosure related to SSB made by Islamic banks in Indonesia and Malaysia, the first hypothesis is rejected).

The regression coefficient of the cross-membership (SSB_CM) is 0.1528 with a p-value of 0.076 < alpha (α), the second hypothesis is accepted. This means that SSB cross membership has a positive effect on SSB disclosure in Islamic banks in Indonesia and Malaysia. In other words, there is a positive influence from the knowledge and experience gained by SSB members who also serve as SSBs in other companies on the level of SSB disclosure.

Table 5. Result of Regression Test

Variable	Prediction	Coef.	P-value
Intercept		0.6973	0.044
SSB_Size	+	-0.0195	0.284
SSB_CM	+	0.1528**	0.076
SSB_Ex	+	-0.0084	0.717
SSB_Meeting	+	0.0016	0.492
Bank_Size	+	0.00440	0.22
ROA	+	-0.0024	0.278
R^2		**0.2767**	
N		**144**	
F-test		**0.0768**	

The result of regression test shows that SSB expertise has no positive effect on SSB-related disclosures ($p<0.05$). Thus, the third hypothesis is rejected because SSB expertise does not have a positive effect on SSB-related disclosures made by Islamic banks in Indonesia and Malaysia.

Discussions

The number of SSB members in Islamic banks does not affect the number of disclosures related to SSB in Islamic banks. The first hypothesis is rejected, thus the number of SSB members in Islamic banks does not affect the number of disclosures related to SSB in Islamic banks. This result is in line with previous research on corporate governance in a conventional context which showed that the effect of board size on its effectiveness in carrying out the management oversight function still found mixed results. The results of this study support the findings of Abdullah et al., (2013) that there is no significant relationship between SSB size and disclosures related to SSB and Zakat in Malaysian and Indonesian Islamic banks. In a conventional context, Elgammal et al., (2018) found a negative relationship between the number of boards (non-executive directors) and risk disclosure in companies in Qatar. Bukair & Rahman (2013) found that SSBs with more members will more effective in supervision and monitoring of Islamic bank activities related to social issues based on Islamic principles and rules.

Cross-membership of SSB has a These result is in line with finding of Abdullah et al., (2013). There is a transfer of knowledge gained by members who serve as SSBs in two or more Islamic financial institutions so that the disclosures made are more comprehensive. SSB members who have experience from their positions as SSBs in other Islamic financial institutions and even in other countries can use their experience to be applied in SSB to other banks, for example by referring to the disclosures of Islamic banks in the country. In short, the results show that cross-membership will increase the effectiveness of SSB in carrying out its role because the expertise it possesses increases with the transfer of knowledge between companies (Samra & Samra, 2016).

SSBs with more knowledge and experience will be effective in monitoring and supervising Islamic bank activities related to certain issues, such as environmental issues, in accordance with Islamic principles and rules (Bukair & Rahman, 2013). This finding is in accordance with the findings of Jiraporn et al., (2009) who found that people who hold more positions will perform less than optimal functions and roles which lead to ineffective governance within the company and Wilson (2009) that concurrent positions by SSB lead to issues of conflict of interest and confidentiality.

For the control variable, the coefficient of each control variable is not significant, indicating that the variables that have been tested for their relationship with disclosure in the conventional context did not find the same results in Islamic banks. Various variables in previous studies that were found to have a relatively consistent relationship with disclosure turned out to be irrelevant in the context of disclosure by Indonesian and Malaysian Islamic banking.

CONCLUSION

This study aims to examine the effect of SSB characteristics on SSB disclosures made by Islamic banks in Indonesia and Malaysia. The results of this study indicate that SSB cross-membership has an effect on SSB disclosure, but the number/size and expertise of SSB have no effect on SSB disclosure. SSB who serve at other SSB at the same time are more effective in carrying out their duties to increase disclosures made by Islamic banks and support the concept of full disclosure which in Islamic teachings is aimed at eliminating ambiguity (gharar), or usually referred to as information asymmetry. The absence of a positive influence of SSB expertise on SSB disclosure shows that SSB expertise (expertise in economics and business in general) does not determine the transparency of information disclosure related to SSB in Islamic banks in Indonesia and Malaysia.

This study uses Islamic banks in Indonesia and Malaysia so that the research results can only be generalized according to this scope. The sample of this study includes 2 countries that both have a growing Islamic financial market and compete to become the center of Islamic economy and finance in the world. The sample used in this study is still limited, because there are Islamic banks that do not present all the data needed in the study. Future research can try to use a sample of Islamic banks in various countries in order to obtain more research data and cover a wider area.

Data collection is still done manually, so it takes a very long time to collect research data with a research scope that is not too broad. Further research can use software assistance to score using various representative and valid keywords so as to facilitate the data collection process and reduce the possibility of errors or subjectivity.

REFERENCES

AAOIFI. (2015). Accounting, Auditing and Governance Standards for Islamic Financial Institutions. https://aaoifi.com/product/accounting-auditing-and-governance-standards-2/?lang=en

Abdullah, W. A. W., Percy, M., & Stewart, J. (2013). Shari'ah disclosures in Malaysian and Indonesian Islamic banks The Shari'ah governance system. Journal of Islamic Accounting and Business Research, Vol. 4(Issue 2), 100–131. https://doi.org/10.1108/JIABR-10-2012-0063

Abdullah, W. A. W., Percy, M., & Stewart, J. (2015). Determinants of voluntary corporate governance disclosure: Evidence from Islamic banks in the Southeast Asian and the Gulf Cooperation Council regions. Journal of Contemporary Accounting and Economics, 11(3), 262–279. https://doi.org/10.1016/j.jcae.2015.10.001

Abeysekera, I. (2010). The influence of board size on intellectual capital disclosure by Kenyan listed firms. Journal of Intellectual Capital, 11(4), 504–518. https://doi.org/10.1108/14691931011085650

Amalina Wan Abdullah, W., Percy, M., & Stewart, J. (2013). Shari'ah disclosures in Malaysian and Indonesian Islamic banks. Journal of Islamic Accounting and Business Research, 4(2), 100–131. https://doi.org/10.1108/JIABR-10-2012-0063

Antonio, M. S. (2001). Bank syariah: dari teori ke praktik. Gema Insani. https://books.google.co.id/books?id=r3yFiZMvgdAC&printsec=frontcover&sou#v=onepage&q&f=false

Archer, S., Karim, R. A. A., & Al-Deehani, T. (1998). Financial contracting, governance structures and the accounting regulation of Islamic banks: An analysis in terms of agency theory and transaction cost economics. Journal of Management and Governance, 2(2), 149–170. https://doi.org/10.1023/A:1009985419353

Badolato, P. G., Donelson, D. C., & Ege, M. (2014). Audit committee financial expertise and earnings management: The role of status. Journal of Accounting and Economics, 58(2–3), 208–230. https://doi.org/10.1016/j.jacceco.2014.08.006

BCBS. (1998). Enhancing Bank Transparency - Publich disclosure and supervisory information to promote safety and soundness in banking systems.

Boulanouar, Z., & Alqahtani, F. (2016). IPO underpricing in the insurance industry and the effect of Sharia compliance: Evidence from Saudi Arabian market. International Journal of Islamic and Middle Eastern Finance and Management, 9(3), 314–332. https://doi.org/10.1108/IMEFM-12-2014-0118

Brown, N., & Deegan, C. (1998). The public disclosure of environmental performance information - A dual test of media agenda setting theory and legitimacy theory. Accounting and Business Research, 29(1), 21–41. https://doi.org/10.1080/00014788.1998.9729564

Bukair, A. A., & Abdul-Rahman, A. (2015). The Effect of the Board of Directors' Characteristics on Corporate Social Responsibility Disclosure by Islamic Banks. Journal of Management Research, 7(2), 506–519. https://doi.org/10.5296/jmr.v7i2.6989

Bukair, A. A., & Rahman, A. A. (2013). The Influence of the Shariah Supervision Board on Corporate Social Responsibility Disclosure by Islamic Banks of Gulf Co-Operation Council Countries. Asian Journal of Business and Accounting, 6(2), 2013. https://ajba.um.edu.my/index.php/AJBA/article/view/2678

Cambridge Institute of Islamic Finance. (2019). Global Islamic Finance Report 2019. http://www.gifr.net/publications/gifr2019/ifci.pdf

Deegan, C. (2002). Introduction: The legitimising effect of social and environmental disclosures – a theoretical foundation. In Accounting, Auditing & Accountability Journal (Vol. 15, Issue 3, pp. 282–311). MCB UP Ltd. https://doi.org/10.1108/09513570210435852

DinarStandard. (2020). Global Islamic Economy Report 2019/20. https://www.salaamgateway.com/specialcoverage/SGIE20-21

El-Halaby, S., & Hussainey, K. (2016). Determinants of compliance with AAOIFI standards by Islamic

banks. International Journal of Islamic and Middle Eastern Finance and Management, 9(1), 143–168. https://doi.org/10.1108/IMEFM-06-2015-0074
Elgammal, M. M., Hussainey, K., & Ahmed, F. (2018). Corporate governance and voluntary risk and forward-looking disclosures. Journal of Applied Accounting Research, 19(4), 592–607. https://doi.org/10.1108/JAAR-01-2017-0014
Farook, S., Kabir Hassan, M., & Lanis, R. (2011a). Determinants of corporate social responsibility disclosure: the case of Islamic banks. In Journal of Islamic Accounting and Business Research (Vol. 2, Issue 2). https://doi.org/10.1108/17590811111170539
Farook, S., Kabir Hassan, M., & Lanis, R. (2011b). Determinants of corporate social responsibility disclosure: the case of Islamic banks. Journal of Islamic Accounting and Business Research, 2(2), 114–141. https://doi.org/10.1108/17590811111170539
Fuente, J. A., & Lozano, M. B. (2016). The role of the board of directors in the adoption of GRI guidelines for the disclosure of CSR information. Journal of Cleaner Production. https://doi.org/10.1016/j.jclepro.2016.09.155
Gandía, J. L. (2008). Determinants of internet-based corporate governance disclosure by Spanish listed companies. Online Information Review, 32(6), 791–817. https://doi.org/10.1108/14684520810923944
Grassa, R. (2013). Shariah supervisory system in Islamic financial institutions: New issues and challenges: a comparative analysis between Southeast Asia models and GCC models. Humanomics, 29(4), 333–348. https://doi.org/10.1108/H-01-2013-0001
Hamza, H. (2013). Sharia governance in Islamic banks: effectiveness and supervision model. International Journal of Islamic and Middle Eastern Finance and Management, 6(3), 226–237. https://doi.org/10.1108/IMEFM-02-2013-0021
Haniffa, R., & Hudaib, M. (2007a). Exploring the Ethical Identity of Islamic Banks via Communication in Annual Reports. Source: Journal of Business Ethics, 76(1), 97–116. https://doi.org/10.1007/sl0551-006-9272-5
Haniffa, R., & Hudaib, M. (2007b). Exploring the ethical identity of Islamic Banks via communication in annual reports. Journal of Business Ethics, 76(1), 97–116. https://doi.org/10.1007/s10551-006-9272-5
Hidalgo, R. L., García-Meca, E., & Martínez, I. (2011). Corporate Governance and Intellectual Capital Disclosure. Journal of Business Ethics, 100(3), 483–495. https://doi.org/10.1007/s10551-010-0692-x
Husted, B. W., & Sousa-Filho, J. M. de. (2018). Board structure and environmental, social, and governance disclosure in Latin America. Journal of Business Research, 102, 220–227. https://doi.org/10.1016/j.jbusres.2018.01.017
Islam, A. M., & Deegan, C. (2008). Motivations for an organisation within a developing country to report social responsibility information: Evidence from Bangladesh. Accounting, Auditing and Accountability Journal, 21(6), 850–874. https://doi.org/10.1108/09513570810893272
Jan, A. A., Lai, F. W., & Tahir, M. (2021). Developing an Islamic Corporate Governance framework to examine sustainability performance in Islamic Banks and Financial Institutions. Journal of Cleaner Production, 315, 128099. https://doi.org/10.1016/J.JCLEPRO.2021.128099
Jiraporn, P., Singh, M., & Lee, C. I. (2009). Ineffective corporate governance: Director busyness and board committee memberships. Journal of Banking & Finance, 33(5), 819–828. https://doi.org/10.1016/J.JBANKFIN.2008.09.020
Kuzey, C., & Uyar, A. (2017). Determinants of sustainability reporting and its impact on fi rm value : Evidence from the emerging market of Turkey. Journal of Cleaner Production, 143, 27–39. https://doi.org/10.1016/j.jclepro.2016.12.153
Maali, B., Casson, P., & Napier, C. (2006). Social reporting by Islamic banks. Abacus, 42(2), 266–289. https://doi.org/10.1111/j.1468-4497.2006.00200.x
Magalhães, R., & Al-Saad, S. (2013). Corporate governance in Islamic financial institutions: The issues surrounding unrestricted investment account holders. Corporate Governance (Bingley), 13(1), 39–57. https://doi.org/10.1108/14720701311302404
Magalhães, R., & Al-Saad, S. (2013). Corporate governance in Islamic financial institutions: the issues surrounding unrestricted investment account holders. Corporate Governance: The International Journal of Business in Society, 13(1), 39–57. https://doi.org/10.1108/14720701311302404
Maulana, A. (2018). Determinan pengungkapan islamic social responsibility bank islam: analisis lintas negara [Universitas Indonesia]. http://lib.ui.ac.id
Mollah, S., Hassan, M. K., Al Farooque, O., & Mobarek, A. (2017). The governance, risk-taking, and

performance of Islamic banks. Journal of Financial Services Research, 51(2), 195–219. https://doi.org/10.1007/s10693-016-0245-2

Muda, I. (2017). The effect of supervisory board cross-membership and supervisory board members' expertise to the disclosure of supervisory board's report: Empirical evidence from Indonesia. European Research Studies Journal, 20(3), 702–716. https://doi.org/10.35808/ersj/738

O'Donovan, G. (2002). Environmental disclosures in the annual report. Accounting, Auditing & Accountability Journal, 15(3), 344–371. https://doi.org/10.1108/09513570210435870

Oehmichen, J., Schrapp, S., & Wolff, M. (2017). Who needs experts most? Board industry expertise and strategic change—a contingency perspective. Strategic Management Journal, 38(3), 645–656. https://doi.org/10.1002/smj.2513

Parmar, B. L., Freeman, R. E., Harrison, S., Wicks, A. C., Purnell, L., & Colle, S. De. (2010). Stakeholder Theory : The State of the Art. The Academy of Management Annals, 4(1), 403–445. https://doi.org/10.1080/19416520.2010.495581

Qoyum, A., Mutmainah, liyatul, Setyono, J., & Qizam, I. (2017). The Impact of Good Corporate Governance, Company Size nn Corporate Social Responsibility Disclosure: Case Study of Islamic Banking in Indonesia. IQTISHADIA, 10(1), 2017. https://doi.org/10.21043/iqtishadia.v10i1.2365

Samaha, K., Khlif, H., & Hussainey, K. (2015). The impact of board and audit committee characteristics on voluntary disclosure: A meta-analysis. Journal of International Accounting, Auditing and Taxation, 24, 13–28. https://doi.org/10.1016/j.intaccaudtax.2014.11.001

Samra, E. (2016). Corporate Governance in Islamic Financial Institutions (22). http://chicagounbound.uchicago.edu/

Samra, E., & Samra, E. (2016). Corporate Governance in Islamic Financial Institutions (Vol. 22, Issue 22).

Smolo, E., & Mirakhor, A. (2010). The global financial crisis and its implications for the Islamic financial industry. International Journal of Islamic and Middle Eastern Finance and Management, 3(4), 372–385. https://doi.org/10.1108/17538391011093306

Violita, E. S., Syahroza, A., & Nasution, M. E. (2014). Peran mediasi institusional budaya terhadap hubungan nilai budaya dan pengungkapan nilai islam. Jurnal Akuntansi Dan Keuangan Islam Indonesia, 11(2), 200–221.

Waemustafa, W., & Abdullah, A. (2015). Mode of Islamic Bank Financing: Does Effectiveness of Shariah Supervisory Board Matter? MPRA Paper. https://ideas.repec.org/p/pra/mprapa/72766.html