Management Analysis Journal 12 (2) (2023)

http://maj.unnes.ac.id

DOES SOCIAL RESPONSIBILITY AFFECT PERFORMANCE OF ISLAMIC BANK IN INDONESIA? THE ROLE OF BOARD DIVERSITY

Maulida Nurul Innayah[1]✉, Rifka Utami Arofah[2], Bima Cinintya Pratama[3]

[1,2,3]Faculty of Economics and Business, Universitas Muhammadiyah Purwokerto, Indonesia

Article Information

History of article:
Accepted March 2023
Approved May 2023
Published June 2023

Keywords:
Social Responsibility,
Board Diversity,
Performance

Abstract

This study examines the moderating effect of board diversity on the relationship between social responsibility and the performance of Islamic banking in Indonesia. The population in this study are Islamic banking companies in Indonesia whose data is obtained from the company's annual report. The sampling technique used in this study was purposive sampling. The sample in the study consisted of 136 firm-year observations for 16 registered Islamic banks in Indonesia. Using panel data regression testing, the results show that social responsibility positively affects the performance of Islamic banking in Indonesia. The results of this study are in line with stakeholder theory which explains that Islamic banking companies try to meet different stakeholder expectations, one of which is by carrying out Islamic social responsibility to increase stakeholder trust, which has an impact on improving firm performance. However, the results of this study found that female directors in Indonesia are a minority, so their existence cannot improve the management of social responsibility and performance of Islamic banking.

✉correspondence Address:
Jl. KH. Ahmad Dahlan, PO BOX 202 Purwokerto
53182, Banyumas
E-mail: maulidanurul@ump.ac.id

© 2023 Universitas Negeri Semarang
e-ISSN 2502-1451

INTRODUCTION

In recent years, Islamic banking has emerged as an alternative ethical banking and finance method to Islamic teachings. In addition to seeking profits, Islamic banks also pay attention to social aspects. One form of sharia banking's social role is the existence of qard al-Hasan (virtuous funds) products, the implementation of the receipt and distribution of zakat, infaq, sadaqah (ZIS) funds, and priority financing on the principle of profit sharing in the form of mudharabah and musyarakah. Karim (1990) states that establishing Islamic banks is to achieve falaah (success in this world and the hereafter).

According to Islamic teachings, banking is expected to have social goodness, environmental concern, and ethical behavior (Asutay, 2007, 2013). The Islamic banking sector is a sector that supports the smooth running of the economy, and thus Islamic banks are expected to be more socially responsible (Chambers & Day, 2009).

In recent years, Sharia banking has begun to pay attention to social responsibility or corporate social responsibility (hereinafter referred to as CSR) as one of their organizational and operational strategies. CSR practices related to Islamic teachings are the desired consequence of Islamic ethics because Islam suggests a proactive stakeholder paradigm and has a corporate moral obligation to society.

Disclosure of CSR from an Islamic perspective was first put forward by Haniffa (2002). Limitations of conventional disclosure of social responsibility encourage the formation of social responsibility disclosure in an Islamic perspective called Islamic Social Reporting (ISR). ISR is an extension of social reporting that includes not only society's broader expectations and beliefs regarding the role of companies in the economy but also in a spiritual perspective.

Corporate social responsibility (CSR) is a company's contribution to sustainable development by considering its operations' social and environmental impacts (Gaio & Henriques, 2020). The relationship between CSR and performance is explained on a theoretical basis, namely stakeholder theory. According to stakeholder theory, when companies meet stakeholder expectations, they can create a superior corporate performance (Freeman, 1984). Increasing stakeholder concerns about sustainability performance have increased pressure on companies to report non-financial activities, especially CSR, to provide stakeholders with a holistic view of the company's economic, social, and environmental performance (Khan et al., 2019). Although many studies try to investigate the relationship between CSR and financial performance in conventional financial institutions, only a few studies have examined the relationship between the two in Islamic financial institutions (Arshad et al., 2012; Hassan et al., 2010; Mallin et al., 2014).

However, only a few empirical studies have examined the effect of CSR on the performance of the Islamic banking sector. Among these studies, for example, Arshad et al., (2012) analyzed the impact of CSR disclosure on the corporate reputation and performance of Islamic banks in Malaysia, whose results showed a significant positive relationship between CSR activities disclosed in the annual reports of sample Islamic banks and their reputation and performance. A similar study was conducted by Mallin et al., (2014), who focused on examining the relationship between CSR disclosure and the financial performance of Islamic banks in various countries covering the period between 2010 and 2011. This study showed a significant positive relationship between financial performance and the CSR disclosure index of Islamic banks.

Previous research has also found a negative relationship between CSR and financial performance. According to the results of previous research, companies that are socially active by engaging in charity projects, supporting and promoting staff welfare, and minimizing environmental damage can pose a financial burden to companies (Simpson & Kohers, 2002), so that social responsibility generates additional costs and causes competitive losses (Friedman, 1970). Resources dedicated to social programs should be diverted for company efficiency or returned to shareholders (Perrini et al., 2011) because environmental problems that occur are not the company's responsibility to address social problems but must be resolved by the government.

Previous research indicates that there are still inconclusive results regarding the relationship between social responsibility and financial performance, so researchers are interested in adding female directors in managing social responsibility to improve financial performance. In the business world, the composition of company directors is receiving increasing attention from both investors and shareholders (Wang et al., 2019). The composition of company directors has received special attention due to financial scandals in recent decades, for example, the WorldCom bankruptcy and the 2008 financial crisis, so companies need to increase the effectiveness of directors within the company (Nyamongo & Temesgen, 2013; Reguera-Alvarado et al., 2017). Directors within a company have various attributes, characteristics, and knowledge that can contribute to the group (Walt & Ingley, 2003). The contribution of corporate directors based on these characteristics has received special attention in recent literature.

The Upper Echelons theory explains that executives (directors) make decisions based on their interpretation of the situations they face, so decisions taken by directors are heavily influenced by their experiences, values, and personalities (Donald C. Hambrick, 2007). Therefore, the composition of the directors in the organization directly affects the performance potential of the organization they manage. The gender of the board of directors is an important characteristic that must be considered for its composition.

The relationship between the gender composition of the board of directors and their performance is based on the gender diversity of the board of directors. Existing empirical studies show that by broadening the range of experience and expertise of directors, this diversity can increase team effectiveness. Previous research has shown that female have a higher sense of empathy than men (Eagly, 2009), so companies with female directors tend to be better at social and environmental issues (Endrikat et al., 2020). Female are also able to control ethics better (Ku Ismail & Abdul Manaf, 2016), formulate less aggressive strategies, invest less in research and development activities, and take more initiative in carrying out activities related to social sustainability (Apesteguia et al., 2012), take actions related to social, which means that the company they are in can have a higher level of social responsibility (Galbreath, 2016). Research by Innayah et al., (2021) found that the presence of female on the board of directors is proven to improve the financial performance of banks in Indonesia.

Although many previous studies examined the direct effect of CSR and gender diversity of directors on financial performance, the interaction between CSR and gender diversity of directors on financial performance, especially in Islamic banking companies, is still difficult to find. So that, researchers are interested in testing the presence of female as directors in moderating

the influence of social responsibility from an Islamic perspective on the financial performance of Islamic banking in Indonesia. The Islamic banking sector is a sector that supports the smooth running of the economy, and thus Islamic banks are expected to be more socially responsible (Chambers & Day, 2009).

Stakeholder Theory

Stakeholder theory explains that organizations are a collection of stakeholders who can influence or be affected by organizational activities (Clarkson, 1995; Freeman & McVea, 1984). This theory considers the interests of all stakeholders, including internal stakeholders (i.e., employees or managers) and external stakeholders (i.e., communities). Stakeholder theory suggests that companies that pay more attention to stakeholder groups will get more attention in well-developed markets (Donaldson & Preston, 1995). In addition, operating companies must ensure that they comply with the company's norms and that outsiders can accept the company's activities.

Disclosure of social responsibility reports from an Islamic perspective, or Islamic social reporting (ISR), is proof that companies pay more attention to stakeholders so that the public can accept companies. ISR is an important factor so that stakeholders have confidence in sharia-based companies. Customer confidence in the halal (permissibility) of the product is stated in the ISR. This step will shape the company's image so customers will be loyal to the company's products. Customer loyalty triggers an increase in future revenue, which ultimately affects the company's financial future, namely an increase in financial performance.

Upper Echelons Theory

Hambrick & Mason (1984) explains that the organization reflects its leaders through upper echelons theory. This theory then explains that the interpretation of their situations by executives, namely directors, will impact their choices and decisions. Decisions made by executives are strongly influenced by their experiences, values, and personalities (Hambrick, 2007). Therefore, the composition of the directors directly affects the performance potential of the organization they manage. Companies with the same characteristics will respond differently to market conditions due to differences in directors' experiences, values, and personalities (Waldman et al., 2004).

According to the upper echelon theory, gender differences in directors will impact organizational performance because there are differences between female and male, so gender is an important aspect that must be considered (Nishii et al., 2007). Previous studies showed that female tend to analyze situations and choose different strategies from men. The relationship between the gender composition of the board of directors is not seen from the gender of the director, who is a male or female but rather based on gender diversity within the board of directors. Thus, diverse directors, seen from the presence of female in directors, will increase team diversity in terms of social structure and human capital (Adams & Ferreira, 2009). The presence of female directors can increase the cognitive variation of directors (Oppong, 2014) so that more options may be considered , which will encourage more effective decision-making (Dezso & Ross, 2012).

According to Puchniak et al., (2017), the role of directors in a two-tier governance system is different from a one-tier governance system. In a two-tier governance system, there is a clear separation of responsibilities because members of the board of directors cannot become members of the commissioners. In addition, in a two-tier governance system, the directors manage the company's day-to-day business, and the commissioners oversee the decisions made by the directors; in a one-tier governance system, all board members participate in company decisions (Pletzer et al., 2015).

HYPOTHESES DEVELOPMENT

Social Responsibility and Financial Performance of Sharia Banking

Stakeholder theory explains that when companies meet stakeholder expectations, they can create a superior corporate performance (Freeman, 1984). In line with the stakeholder theory perspective, many companies have incorporated CSR into their business strategy. In addition, sharia business actors are also required to carry out social responsibility in the era of globalization. This step encouraged the emergence of Islamic Social Reporting (ISR). The potential for increased disclosure of ISR activities is expected to improve relations with stakeholders. This is necessary so the company can gain the support and trust of stakeholders. When a company gains trust, such as customer loyalty, it will indirectly affect the increase in financial performance.

Previous research has found a positive relationship between social responsibility and corporate performance (Saeidi et al., 2015). This result is based on the argument that in a business environment where various stakeholders have high expectations of a company's ICSR (Islamic Corporate Social Responsibility), managers are expected to recognize and implement ICSR activities to improve performance (Arifin & Wardani, 2016). Arshad et al., (2012) analyzed the impact of CSR disclosure on the corporate reputation and performance of Islamic banks in Malaysia, whose results showed a significant positive relationship between CSR activities disclosed in the annual reports of sample Islamic

banks and their reputation and performance. A similar study was conducted by Mallin et al., (2014), who focused on examining the relationship between CSR disclosure and the financial performance of Islamic banks in various countries covering the period between 2010 and 2011. This study showed a significant positive relationship between financial performance and the CSR disclosure index of the Islamic banks analyzed. Based on the explanation above, the hypothesis proposed by the study is as follows:

H1: Social responsibility has a positive effect on the financial performance of Islamic banking companies in Indonesia.

Social Responsibility, Diversity of Directors, and Financial Performance of Sharia Banking

The upper echelons theory explains that gender differences in directors will impact organizational performance because there are differences between female and male, so that gender is an important aspect that must be considered (Nishii et al., 2007). Carter et al., (2003) show that female tend to analyze situations and choose different strategies from men. Previous research has shown that diverse directors, as seen from the presence of female on directors, will make decisions taken more innovative (Bantel & Jackson, 1989), adopt better strategies (Bantel, 1993), respond better to competition (Hambrick et al., 1996), and quicker to implement change (Williams et al., 1995).

Other studies have found that female are also able to control ethics better (Ku Ismail & Abdul Manaf, 2016), formulate less aggressive strategies, invest less in research and development activities, and take more initiative in carrying out activities related to social sustainability (Apesteguia et al., 2012), take actions related to social, which means that the company they are in can have a higher level of social responsibility (Galbreath, 2016). Research by Innayah et al., (2021) found that the presence of female on the board of directors is proven to improve the financial performance of banks in Indonesia. The presence of female on the board of directors is expected to disclose social responsibility better, improving financial performance. Based on this explanation, the hypothesis proposed by the study is as follows:

H2: Gender diversity of directors has a positive effect on the financial performance of Islamic banking companies in Indonesia.

H3: Gender diversity of directors strengthens the positive influence of social responsibility on the financial performance of Islamic banking companies in Indonesia.

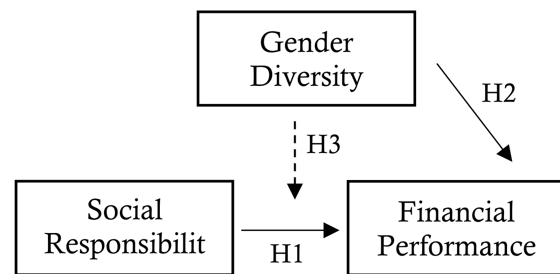

Figure 1. Research Model

RESEARCH METHOD

Sample

The population in this study is Islamic banking companies in Indonesia whose data is obtained from the company's annual report. The sampling technique for this research was purposive sampling, with the criteria being banking companies in Indonesia with complete data used in this study for 2008-2021. The sample used in the study consisted of 136 firm-year observations for 15 registered Islamic banks in Indonesia. Islamic banking was chosen because it is a sector that supports the smooth running of the economy, and thus Islamic banks are expected to be more socially responsible (Chambers & Day, 2009).

Dependent Variable

Banking performance as the dependent variable (Firm_Perf). In line with previous research (Chen et al., 2018), the proxy used to measure banking performance is the return on assets (ROA), which reflects bank profitability. ROA is calculated using the formula below:

$$ROA = \frac{\text{Earning After Tax}}{\text{Total asset}}$$

Independent Variable

Social responsibility variable as the independent variable (ISR). Disclosure of social responsibility or corporate social responsibility (CSR) from an Islamic perspective was first put forward by Haniffa, (2002). Limitations of conventional disclosure of social responsibility encourage the formation of social responsibility disclosure in an Islamic perspective called Islamic Social Reporting (ISR). ISR is an extension of the disclosure of responsibility that includes not only society's broader expectations and beliefs regarding the role of companies in the economy but also from an Islamic perspective. The ISR disclosure index score for each company is calculated by the ratio of the actual score assigned to the company divided by the maximum potential score assigned to that company. The ISR index used by each company to measure the ISR level is as follows (Othman et al., 2009):

$$ISR = \frac{\sum X_{ij}}{n_j}$$

Where:

n_j = the number of Indexes that companies are expected to report, n_j is ≤ 43,

X_{ij} = 1 if the company discloses these items and 0 if the company does not disclose these items, so 0 ≤ ij ≥ 1.

Moderating variable

Gender diversity (FOB) is measured by the percentage of female on board, in line with García-Meca et al., (2015). This research also analyzes the interaction between gender diversity and social responsibility (ISR*FBO), as was done by García-Meca et al., (2015).

$$\text{Percentage of Female Directors} = \frac{\text{Number of Female on the Board of Directors}}{\text{Total Members of the Board of Directors}}$$

Control variables

Board Size (Carter et al., 2003). The size of the directors is proxied by the number of directors in the banking company.

Bank size (BankSize) (García-Meca et al., 2015). Bank size is proxied using a natural logarithm of banking companies' total assets in year t.

Statistical Test

This study uses a panel data regression analysis model. First, the researcher conducted the Hausman test to determine which panel data regression model to use, namely fixed effect regression or random effect regression (Gujarati & Porter, 2009). Based on the results of the Hausman test, the panel data regression model used in this study is random effect regression. The hypothesis testing in this study uses two research models. Model (1) is used to examine the influence between social responsibility and the financial performance of Islamic banking. Model (2) is used to examine the interaction relationship between social responsibility and female directors and the financial performance of Islamic banking. The model used to test the two hypotheses in this study is as follows:

Model 1. Social Responsibility and Financial Performance of Sharia Banking

$$Firm_{Perf} = \beta_0 + \beta_1 ISR + \beta_3 BoardSize + \beta_4 BankSize + \varepsilon_t$$

Model 2. The Interaction Between Social Responsibility and Female Directors and Sharia Banking Financial Performance

$$Firm_{Perf} = \beta_0 + \beta_1 ISR + \beta_2 FOB + \beta_3 ISR * FOB + \beta_4 BoardSize + \beta_5 BankSize + \varepsilon_t$$

Where:

Firm_Perf = Firm Performance

ISR = Social Responsibility

FOB = Percentage of Female Directors

ISR*FOB = Moderating variables of social responsibility and female directors

BoardSize = Control variable of Board Size

BankSize = Control variable of Bank Size

ε_t = error term

RESULT AND DISCUSSION

Descriptive Statistics

Table 1 shows the descriptive statistical values of the variables used in this study. Based on descriptive statistics, the Islamic banking performance variable (Firm_Perf) has an average value of 0.0115692. This shows that, on average, the ability of banks in Indonesia to generate profit from their assets is 1.1%. The Social Responsibility Variable (ISR) has an average value of 0.4572503, which means that the average Islamic banking company in Indonesia discloses social responsibility items of 45.7%. Based on the Indonesia Financial Authority (OJK) regulation, banks must have three members on the board of directors. Based on descriptive statistics, the average number of directors in Indonesian Sharia Banking sampled in this study is four to five people, which meets the 2014 POJK requirements.

Based on descriptive statistics, the average number of female directors (FBO) in Indonesian banking sampled in this study is .1777369, which means that there are two female directors out of the total number of directors. Currently, there is no official regulation regarding the existence of female directors in Indonesia. However, in 2011, the World Bank through the International Finance Corporation (IFC), established a program to increase understanding and awareness regarding the existence of female directors in developing countries, including Indonesia. Based on the Women in Business 2020 report (Reeves, 2020), countries in ASEAN, including Indonesia, have ranked third with the highest percentage of female directors worldwide. This indicates that banking in Indonesia has begun to be interested in paying attention to the presence of female in top management. Overall, descriptive statistics for each variable can be seen in Table 1 below.

Table 1. Descriptive Statistics for Selected Variables

Variable	Max	Min	Mean	Std. Dev.
Firm_Perf	.1080234	.0000113	.0115692	.0179237
ISR	.6744186	.1627907	.4572503	.1269117
FOB	.6666667	0	.1777369	.1959367
ISR*FOB	.3255814	0	.0833181	.0950873
BoardSize	11	2	4.389706	1.294849
BankSize	33.21184	25.8087	30.03035	1.366469

Results of Hypotheses Testing

Table 2. Results of Hypotheses Testing

Independent Variable	**Dependent Variable**	
	Model 1	**Model 2**
	Firm_Perf	**Firm_Perf**
Const	.0270262	.0244874
	(0.39)	(0.38)
ISR	.0712329	.0602884
	(4.04)***	(3.06)***
FOB	-.0075691	-.0375067
	(-1.22)	(-1.03)
ISR*FOB		.0647049
		(0.81)
BoardSize	-.0004139	-.0007445
	-0.57	(-1.09)
BankSize	-.0014692	-.0011708
	(-0.62)	(-0.58)
R^2 Within	.3844	.3939
F	18.42	26.98
Prob > F	.0000	.0000

Note: *** significant at 1%; ** significant at 5%; * significant at 10%

Table 2 shows the results of the overall hypothesis testing in this study. Testing hypothesis 1 aims to test whether social responsibility positively affects banking performance. Banking performance is proxied by financial performance, namely ROA. Testing hypothesis 1 shows a positive influence between ISR and Firm_Perf with a coefficient of .0712329 at a significance level of 5%. Therefore, hypothesis 1, which states that social responsibility positively affects Islamic bank performance, is supported.

The study results indicate that the disclosure of social responsibility reports from an Islamic perspective or Islamic social reporting (ISR) is evidence that companies pay more attention to stakeholders so that the public can accept companies. This study's results align with stakeholder theory, which explains that when companies meet various stakeholder expectations, they can create superior corporate performance (Freeman, 1984). ISR is an important factor so that stakeholders have confidence in sharia-based companies. Customer confidence in the halal (permissibility) of the product is stated in the ISR. This step will shape the company's image so customers will be loyal to the company's products. Customer loyalty triggers an increase in future revenue, which ultimately affects the company's financial future, namely an increase in financial performance. The results of this study are in line with research conducted by Arifin & Wardani, (2016), Arshad et al., (2012), Mallin et al., (2014), Saeidi et al., (2015), which shows that disclosure of social responsibility has a positive effect on the performance of Islamic banks.

Testing hypothesis 2 aims to test whether female directors have a positive effect on Islamic banking performance. Hypothesis 2 testing shows a negative effect between FOB and Firm_Perf with a coefficient of -.0075691 at a significance level above 5%. Therefore, hypothesis 2, which states that female directors have a positive effect on Islamic banking performance, is not supported. The unsupported hypothesis 2 is in line with social psychology theory which states that decision-making will be slower and cause more conflict if there are a variety of directors (Carter et al., 2010), one of which is the gender diversity of directors. The data in this study indicate that there is inequality in gender diversity in directors, where the average female director in the sample is 17% of the total number of directors or approximately two people, with an average number of directors of four people. This shows that female in directors is minority. According to Marimuthu &

Kolandaisamy (2009), minority directors tend to have lower levels of psychological commitment and turnover intent and higher absenteeism. In addition, minority directors will have less satisfaction, feel more discrimination, and result in other negative behaviors and attitudes (Jayne & Dipboye, 2004).

Gender diversity within teams implies that the team is heterogeneous, with male and female acting with different leadership styles (Fenwick & Neal, 2001). As a result, team members tend to communicate less frequently, affecting the effectiveness of communication within top management and are generally less cooperative. This behavior can increase conflict, negatively impacting firm performance (Pelled, 1996). In addition, according to Fauzi & Locke, (2012), one of the reasons that the presence of female directors can reduce performance or have no impact on performance is because the appointment of female directors is only limited to fulfilling rules and appropriateness so they may not have sufficient knowledge and experience so that they no added value for the company.

Testing hypothesis 3 aims to test whether female directors strengthen the positive influence of social responsibility on Islamic banking performance. Hypothesis 3 testing shows no influence between the interaction variables ISR*FOB and Firm_Perf. Therefore, hypothesis 3, which states that female directors strengthen the positive influence of social responsibility on Islamic banking performance, is not supported.

Darmadi (2011) argues that most companies in Indonesia are family-controlled companies. Hence, the presence of female on boards is only due to family relations with controlling shareholders rather than due to their expertise and experience. Therefore, the management carried out by female directors has no effect on the performance of Islamic banking in Indonesia.

CONCLUSION

This study examines the moderating effect of the diversity of directors on the relationship between social responsibility and the performance of Islamic banks in Indonesia from 2008-2021. The first objective of this research is to examine the positive influence between responsibility and performance in Islamic banking companies in Indonesia. The results of the study show that social responsibility has a positive effect on the performance of Islamic banks. Islamic banking companies carry out social responsibility to increase stakeholder trust and impact company performance. The second objective of this research is to examine the positive influence between female directors and the performance of Islamic banks. The study results show that female directors have no effect on the performance of Islamic banks. Female directors in Islamic banking companies in Indonesia are a minority, so they will have less satisfaction, experience more discrimination, and result in other negative behaviors and attitudes so that they cannot improve company performance. The third objective of this study is to examine the moderating effect of female directors on the social responsibility and performance of Islamic banks. The study results show that female directors do not moderate Islamic banks' social responsibility and performance. Most companies in Indonesia are family-controlled companies, so the presence of female on the board of directors is only due to family relations with controlling shareholders rather than due to their expertise and experience. Therefore, the management carried out by female directors has no effect on the performance of Islamic banking in Indonesia.

This research has some inherent limitations. First, this study only took samples of Islamic banking companies, so the results of this study may not necessarily be generalized to companies with different types of industries. Future studies can use companies from various types of industries and compare them to find out the moderating effect of the diversity of directors on the relationship between social responsibility and Islamic banking performance from the perspective of various industries in a more comprehensive manner. Second, this study looks at the diversity of directors from the demographic characteristics of directors, namely gender only. Future research can use or add to other diversity from demographic and cognitive aspects.

REFERENCES

Adams, R. B., & Ferreira, D. (2009). Women in the boardroom and their impact on governance and performance. *Journal of Financial Economics*, *94*(2), 291–309.

Apesteguia, J., Azmat, G., & Iriberri, N. (2012). The impact of gender composition on team performance and decision making: Evidence from the field. *Management Science*, *58*(1), 78–93.

Arifin, J., & Wardani, E. A. (2016). Islamic corporat social responsibility disclosure, reputasi, dan kinerja keuangan: Studi pada bank syariah di Indonesia. *Jurnal Akuntansi & Auditing Indonesia*, *20*(1), 38–46.

Arshad, R., Othman, S., & Othman, R. (2012). Islamic {Corporate} {Social} {Responsibility}, {Corporate} {Reputation} and {Performance}. *International Scholarly and Scientific Research & Innovation*, *6*(64), 1070. http://search.proquest.com/docview/1349445808?accountid=26646

Asutay, M. (2007). Conceptualisation of the

Second Best Solution in Overcoming the Social Failure of Islamic Banking and Finance: Examining the Overpowering of Homoislamicus by Homoeconomicus. *IIUM Journal of Economics and Management*, *15*(2), 167–195.

Asutay, M. (2013). Islamic moral economy as the foundation of Islamic finance. *Islamic Finance in Europe: Towards a Plural Financial System*, *April 2013*, 55–63.

Bantel, K. A. (1993). Strategic Clarity in Banking: Role of Top Management-Team Demography. *Psychological Reports*, *73*(3), 1187–1201.

Bantel, K. A., & Jackson, S. E. (1989). Top management and innovations in banking: Does the composition of the top team make a difference? *Strategic Management Journal*, *10*(1 S), 107–124.

Carter, D. A., D'Souza, F., Simkins, B. J., & Simpson, W. G. (2010). The Gender and Ethnic Diversity of US Boards and Board Committees and Firm Financial Performance. *Corporate Governance: An International Review*, *18*(5), 396–414.

Carter, D. A., Simkins, B. J., & Simpson, W. G. (2003). Corporate Governance, Board Diversity, and Firm Value. *The Financial Review*, *38*, 33–53.

Chambers, C., & Day, R. (2009). The banking sector and CSR: An unholy alliance? *Financial Regulation International*, *12*(9), 13–20. http://eprints.uwe.ac.uk/8349/

Chen, H. K., Liao, Y. C., Lin, C. Y., & Yen, J. F. (2018). The effect of the political connections of government bank CEOs on bank performance during the financial crisis. *Journal of Financial Stability*, *36*, 130–143.

Clarkson, M. B. E. (1995). A Stakeholder Framework for Analyzing and Evaluating Corporate Social Performance. *Academy of Management Review*, *20*(1), 92–117.

Darmadi, S. (2011). Board diversity and firm performance: The indonesian evidence. *Corporate Ownership and Control*, *8*, 1–38.

Dezso, C. L., & Ross, D. G. (2012). DOES FEMALE REPRESENTATION IN TOP MANAGEMENT IMPROVE FIRM PERFORMANCE? A PANEL DATA INVESTIGATION. *Strategic Management Journal*, *3*(9), 1072–1089.

Donaldson, T., & Preston, L. E. (1995). The Stakeholder Theory of the Corporation: Concepts, Evidence, and Implications. *Academy of Management Review*, *20*(1), 65–91.

Eagly, A. H. (2009). The His and Hers of Prosocial Behavior: An Examination of The Social Psychology of Gender. *American Psychologist*, *34*(8), 644–658.

Endrikat, J., de Villiers, C., Guenther, T. W., & Guenther, E. M. (2020). Board Characteristics and Corporate Social Responsibility: A Meta-Analytic Investigation. *Business and Society*, 1–37.

Fauzi, F., & Locke, S. (2012). Board structure, ownership structure and firm performance: A study of New Zealand listed-firms. *Asian Academy of Management Journal of Accounting and Finance*, *8*(2), 43–67.

Fenwick, G. D., & Neal, D. J. (2001). Effect of gender composition on group performance. *Gender, Work and Organization*, *8*(2), 205–225.

Freeman, R. E. (1984). *Strategic Management: A Stakeholder Approach*. Cambridge University Press.

Freeman, R. E., & McVea, J. (1984). A Stakeholder Approach to Strategic Management. *The Blackwell Handbook of Strategic Management*, 183–201.

Friedman, M. (1970). Friedman M. The Social Responsibility of Business Is to Increase Its Profits. In: Zimmerli W.C., Holzinger M., Richter K. (eds) Corporate Ethics and Corporate Governance. Springer, Berlin, Heidelberg. *The New York Times Magazine*, 2–6.

Gaio, C., & Henriques, R. (2020). Social Responsibility and Financial Performance: The Case of STOXX Europe Index. *IntechOpen*, 0–18. www.intechopen.com

Galbreath, J. (2016). Is Board Gender Diversity Linked to Financial Performance? The Mediating Mechanism of CSR. *Business and Society*, *57*(5), 1–27.

García-Meca, E., García-Sánchez, I. M., & Martínez-Ferrero, J. (2015). Board diversity and its effects on bank performance: An international analysis. *Journal of Banking and Finance*, *53*, 202–214.

Gujarati, D. N., & Porter, D. C. (2009). *Basic Econometrics* (5th ed.). McGraw-Hill/Irwin.

Hambrick, D. C., & Mason, P. A. (1984). Upper Echelons: The Organization as a Reflection of Its Top Managers. *Academy of Management Review*, *9*(2), 193–206.

Hambrick, Donald C. (2007). Upper Echelons Theory: An Update. *The Academy of Management Review*, *32*(2), 334–343.

Haniffa, R. (2002). Social Responsibility Disclosure: An Islamic Perspective. In *Indonesian Management & Accounting Research* (Vol. 1, Issue 2, pp. 128–146).

Hassan, M. K., Rashid, M., Imran, M. Y., & Shahid, A. I. (2010). Ethical Gaps and Market Value in the Islamic Banks of Bangladesh. *Review of Islamic Economics*, *14*(10), 49–75.

Innayah, M. N., Pratama, B. C., & Tubastuvi, N. (2021). Board Diversity and Its Effects on Firm Performance and Risk: A Study in Banking Firms. *Journal of Accounting and Investment*, *22*(1), 206–220.

Jayne, M. E. A., & Dipboye, R. L. (2004). Leveraging diversity to improve business performance: Research findings and recommendations for organizations. *Human Resource Management*, *43*(4), 409–424.

Karim, R. A. A. (1990). Standard Setting for the Financial Reporting of Religious Business Organisations: The Case of Islamic Banks. *Accounting and Business Research*, *20*(80), 299–305.

Khan, S. A. R., Yu, Z., Golpîra, H., & Sharif, A. (2019). The nexus between corporate social responsibility and corporate performance: An empirical evidence. *Logforum*, *15*(2), 291–303.

Ku Ismail, K. N. I., & Abdul Manaf, K. B. (2016). Market reactions to the appointment of women to the boards of Malaysian firms. *Journal of Multinational Financial Management*, *36*(June 2011), 75–88.

Mallin, C., Farag, H., & Ow-Yong, K. (2014). Corporate social responsibility and financial performance in Islamic banks. *Journal of Economic Behavior and Organization*, *103*(March 2013), 1–18.

Marimuthu, M., & Kolandaisamy, I. (2009). Ethnic and Gender Diversity in Boards of Directors and Their Relevance to Financial Performance of Malaysian Companies. *Journal of Sustainable Development*, *2*(3), 139–148.

Nishii, L. H., Raver, J. L., & Hall, I. (2007). Upper Echelon Theory Revisited : The Relationship Between Upper Echelon Diversity , the Adoption of Diversity Practices , and Organizational. *Working Paper Series 07-04 Cornell University*.

Nyamongo, E. M., & Temesgen, K. (2013). The effect of governance on performance of commercial banks in Kenya: A panel study. *Corporate Governance: The International Journal of Business in Society*, *13*(3), 236–248.

Oppong, S. (2014). Upper Echelons Theory Revisited: The Need for a Change from Causal Description to Causal Explanation. *Management: Journal of Contemporary Management*, *19*(2), 169–183.

Othman, R., Thani, A. M., & Ghani, E. K. (2009). Determinants of Islamic Social Reporting Among Top Shari'a-Approved Companies in Bursa Determinants of Islamic Social Reporting Among Top Shariah -Approved Companies in Bursa Malaysia. *Research Journal of Internatıonal Studıes*, *12*, 4–20.

Pelled, L. H. (1996). Demographic Diversity, Conflict, and Work Group Outcomes: An Intervening Process Theory. *Organization Science*, *7*(6), 615–631.

Perrini, F., Russo, A., Tencati, A., Vurro, C., Journal, S., & Ethics, S. (2011). Deconstructing the Relationship Between Corporate Social and Financial Performance Linked references are available on JSTOR for this article : Deconstructing the Relationship Between Corporate Social. *Journal of Business Ethics*, *102*(May), 59–76.

Pletzer, J. L., Nikolova, R., Kedzior, K. K., & Voelpel, S. C. (2015). Does gender matter? female representation on corporate boards and firm financial performance - A meta-analysis. *PLoS ONE*, *10*(6).

Puchniak, D. W., Kim, K. S., Uchniak, D. A. N. W. P., Aun, H. A. B., Ottage, L. U. K. E. N., & Orthcoming, F. (2017). Varieties of Independent Directors in Asia : A Taxonomy. *NUS Working Paper*.

Reeves, M. (2020). Women in Business 2020: Putting the Blueprint into Action. *Grant Thornton International*.

Reguera-Alvarado, N., de Fuentes, P., & Laffarga, J. (2017). Does Board Gender Diversity Influence Financial Performance? Evidence from Spain. *Journal of Business Ethics*, *141*(2), 337–350.

Saeidi, S. P., Sofian, S., Saeidi, P., Saeidi, S. P., & Saaeidi, S. A. (2015). How does corporate social responsibility contribute to firm financial performance? The mediating role of competitive advantage, reputation, and customer satisfaction. *Journal of Business Research*, *68*(2), 341–350.

Simpson, W. G., & Kohers, T. (2002). The link between corporate social and financial performance: Evidence from the banking industry. *Journal of Business Ethics*, *35*(2), 97–109.

Waldman, D. A., Javidan, M., & Varella, P. (2004). Charismatic leadership at the strategic level: A new application of upper echelons theory. *Leadership Quarterly*, *15*(3), 355–380.

Walt, N. van der, & Ingley, C. (2003). Protection by iron against ultraviolet radiation in aquatic habitats: Experimental results in the Tinto river's environment. *Corporate*

Governance, *11*(3), 218–234.

Wang, Y., Yao, C., & Kang, D. (2019). Political connections and firm performance: Evidence from government officials' site visits. *Pacific Basin Finance Journal*, *57*(May).