

Do board attributes influence Islamic social responsibility disclosure? Evidence from Indonesian sharia banking

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Abstract

Purpose - This study aims to analyze further the disclosure of Islamic Social Responsibility (ISR) on board size, board independence, board diversity, and board activity.

Method - This study uses quantitative methods and multiple linear regression analysis. This study uses a sample of Islamic Commercial Banks in Indonesia, which consistently reports from 2016 to 2019. The research sample is 13 Islamic Commercial Banks in Indonesia. The data analysis technique used a multiple linear regression test.

Result - The results show that only board diversity can affect ISR disclosure, while the variable board size, board independence, and board activity cannot affect ISR disclosure. This study has an adjusted R square of 53.3%.

Implication - This study recommends Islamic banking to increase the role of the board of directors to encourage ISR disclosure because the company's concern for social and environmental conditions can increase corporate value.

Originality - In Indonesia, there are still not many researchers who have studied the attributes of the board and the disclosure of ISR. This research is expected to provide broader knowledge about the board's attributes in voluntary disclosure in the banking sector.

Keywords: Islamic social responsibility; board diversity; board size; board independence; board activity



Introduction

Disclosure is one of the efforts made by companies to show accountability to stakeholders. Proper, fair, and transparent disclosure is a form of accountability in Islamic economics. Disclosures that contain valid and accurate information will make it easier for report users to make decisions according to their interests. Stakeholders, especially shareholders and imminent shareholders, routinely depend on annual reports to help decision-making (Harahap, 2002).

One of the corporate reporting measurements essential for decision-makers is social reporting. The main reason for social reporting is to determine the effect of company activities on the community's quality of life (Daykin, 2006). This activity is a form of corporate responsibility due to industrial activities like environmental pollution resulting in a loss of trust from the community and company stakeholders. As a result, annual reports containing social and environmental information are expected to match expectations and repair stakeholder trust.

Voluntary disclosure is the highest decision by management and the board of directors (BOD). Before releasing a sustainability report, the board of directors and company management must understand the social and environmental consequences of its operations and ensure that the company is responsive to the views of its stakeholders (Chan et al., 2014). BOD decides together with management what to disclose, which will affect the quality of CSR. Board composition and diversity provide more information, new insights, and new perspectives. And this has the potential to improve the quality of CSR disclosure (Hesselink, 2017).

Over the last decade, various empirical studies examining the impact of board attributes on corporate social responsibility reporting have yielded conflicting results (Velte, 2019). Previous research has examined how specific board characteristics, such as CEO duality, lead to concentrated managerial power, allowing managers to suspend CSR investment when deemed wasteful (Prior et al., 2008). The presence of an audit committee, board

independence, and CEO quality all have a significant positive effect on CSR disclosure. However, this study found no evidence of a significant impact of CEO duality (Khan et al., 2013). While Hesselink's (2017) research indicates that board diversity, board competence, and board independence all have a detrimental effect on CSR quality, board expertise and board activity have a beneficial effect on CSR quality. Research by Velte (2019) demonstrates the impact of an independent board of commissioners, the absence of CEO duality, gender diversity, and board size on CSR reporting. Larger board sizes typically represent various groups and can reach out to various stakeholders (Luoma, 1995).

The development of Corporate Social Responsibility (CSR) in Indonesia has increased both quantity and quality compared to previous years. Reporting on corporate CSR was initially voluntary, but CSR reporting has become mandatory with Law Number 40 of 2007. The regulation states that the annual report must contain some information, one of which is a report on implementing social and environmental responsibility. At the same time, sharia social reporting, Islamic Social Reporting (ISR), is still an involuntary form, so CSR reporting for each sharia company is not the same. The unequal reporting is due to a sharia standard regarding sharia CSR reporting.

The rapid development of Islamic banks in Indonesia will lead to regulations relating to Islamic banking. On an international scale, AAOIFI is an international organization that has the authority to set standards for accounting, auditing, governance, and sharia ethics for Islamic financial institutions globally. Thus, the development of Islamic banking will encourage Islamic banks to report disclosure of their social responsibility following Islamic sharia principles.

The banking sector has an essential role in economic development. In Indonesia, Islamic banking continues to thrive, even though there are still numerous hurdles to overcome. Banks are required to contribute to society and the environment by ensuring the stability of businesses and engaging in social activities. Corporate Social Responsibility (CSR) is now integrated into a company's business plan and can enhance the company's overall positive

image. However, conflicts regarding the effectiveness of CSR continue to exist, with individuals believing that the CSR offered by the firm is insufficient to compensate for the costs carried by the surrounding community (Hadi & Baihaqi, 2020).

ISR is social reporting that includes the general expectations of society regarding the role of companies in the economy and a spiritual perspective (Roszaini Haniffa, 2002). The ISR index was developed from reporting standards based on the Accounting and Auditing Organization for Islamic financial institutions (AAOIFI), which each subsequent researcher then developed. In the concept of ISR, the main emphasis is on the element of social justice, which is more than just reporting environmental problems, minority interests, and employees, not solely for the benefit of the company's profit. The sustainability and success of the company depend on the constant support of the stakeholders. Therefore, management needs to identify, evaluate and disseminate information related to social and environmental information following the request of stakeholders (Othman & Mara, 2010).

This study investigates board diversity, board independence, board activity, and board size in CSR disclosure, especially in the Islamic banking sector in Indonesia. This study is due to the range of research findings regarding board qualities, corporate social responsibility disclosure, and Indonesia's low level of CSR operations. Furthermore, Sharia Enterprise Theory states that the company is responsible to stakeholders and God by agreeing to His terms. Thus, ISR is a performance proxy for corporate social responsibility (Cahyani et al., 2020). In Indonesia, there are still not many researchers who have studied the attributes of the board and the disclosure of ISR. This research is expected to provide broader knowledge about the board's attributes in voluntary disclosure in the banking sector.

According to Haniffa (2002), Islamic Social Responsibility (ISR) is hoped to meet the spiritual needs of decision-makers because, while businesses report on their corporate social responsibilities as a form of accountability, stakeholders perceive information items from an Islamic perspective differently. So, it is feared that it can damage judgment and harm the spiritual

existence of decision-makers. Additionally, the development of ISR is projected to contribute to economic and corporate advancement and an increase in ethical and fair trading practices.

Literature Review

Legitimacy Theory

According to legitimacy theory, an organization seeks to ensure that the company complies with the norms that prevail in the society where the company operates. This theory implies the existence of a social contract between the company and the surrounding community (Deegan et al., 2000). Businesses must ensure that no existing provisions are violated to maintain their existence and survival in society. Organizations will continue to exist if the community surrounding the company believes that the organization operates on a value system that is compatible with the community's value system (Gray et al., 2015).

Corporate social responsibility disclosure is one form of company efforts to communicate its legitimacy to the community. Therefore, in legitimacy theory, the desire of companies to disclose CSR is considered a motivation that drives management's decisions to disclose their social activities. When management is motivated by this motivation, the company will do whatever it considers to be an effort to maintain the company's image.

Sharia Enterprise Theory

From an Islamic perspective, CSR is a realization of the teachings of Ihsan. Ihsan is a good deed that benefits others to get Allah SWT's pleasure. CSR is also an implication of the teachings of ownership in Islam which states that Allah is the owner. On the other hand, people are merely temporary owners who serve as mandate recipients. Thus, it is believed that humans would act kind, be responsible, and perform practical tasks. (Irawan & Muarifah, 2019).

Sharia enterprise theory states that the primary responsibility is to Allah (vertical), translated into responsibility to humans and the natural

environment (horizontal). In this theory, egoistic and altruistic characteristics are balanced because this theory is built on the metaphor of *amanah* and the metaphor of *zakat* so that there are three stakeholders that concern sharia enterprise theory, namely God, humans, and nature (Aryani & Zuchroh, 2018).

Islamic Social Responsibility (ISR)

There are two overarching requirements in Islamic disclosure: full disclosure and social accountability. The concept of social accountability is linked to the principle of full disclosure, intended to serve the public interest (RM Haniffa & Cooke, 2002). In the Islamic context, the *ummah* (public) knows the operational impact of a company related to its welfare. ISR (Islamic Social Reporting) is one method of providing full disclosure in an Islamic context.

ISR is significant because it shows the public that there is business transparency and is in line with the spiritual needs of Muslims. The emphasis on social justice in ISR extends beyond reporting on the environment, minority interests, and employees. The ISR index is a disclosure item used as an indicator in reporting the social performance of Islamic business institutions. There are five themes for the disclosure of the ISR index: the theme of funding and investment, the theme of products and services, the theme of employees, society, and the environment (Haniffa, 2002b). Then, this index was developed by Othman et al. (2009) by adding a theme of disclosure, namely the theme of corporate governance.

Board of Directors

The board of directors is a party that represents the company both in the internal and external environment. The board of directors also has full responsibility for the company's running. The company's complexity determines the board of directors' composition to make appropriate and timely decisions while also allowing the directors to act independently. The

board of directors has no conflicts of interest that could interfere with their ability to carry out their responsibility.

The choices, motives, and values of managers and directors who have complete discretion over what items will be disclosed in the CSR report influence the disclosure of corporate social performance (Fuente et al., 2017). As a result, the board of directors is in charge of risk management and financial and non-financial corporate reporting.

Hypothesis Development

Board size

The total number of members on the board of directors is the size of the board of directors. The composition of the board is one of internal corporate governance. The board of directors has the role of advising and supervising management. Legitimacy theory assumes that the effectiveness of the board leads to an increase in corporate social activities and is intended to improve the reputation of the company (Velte, 2019). The more board, the more expertise, and knowledge the company will have (Kyun et al., 2015). The composition of the board will influence the extent to which the company effectively manages CSR disclosure issues (Bear & Post, 2010). Research by Jamali et al. (2008) proved that some directors view a firm governance policy necessary for CSR implementation. Research result by Esa & Ghazali (2012) demonstrated that board size is positively related to CSR disclosure in a sample of companies registered in Malaysia. From the description above, the following hypothesis can be formulated as follows:

H₁: Board size has a positive effect on ISR disclosure

Independence of the Board

The board of directors from outside will provide views from an outside perspective of the company. They desire to provide high-quality CSR information to manage stakeholder interests. So, it is hoped that the independent board of directors will be more objective in assessing

management performance and assisting companies in managing sustainability strategies that tend to pay more attention to CSR (Hesselink, 2017). An independent board of directors is an effective mechanism for reducing differences between management and shareholders. Directors who come from outside the company are believed to strengthen the board by monitoring management activities. The presence of independent directors can increase corporate social disclosure (Khan et al., 2013). From an Islamic perspective, to play their role effectively, a board of directors must have a good reputation, moral integrity, and banking experience. They must also be familiar with Islamic business and finance (Khan et al., 2013). Research results by Htay et al. (2012), Velte (2019), and Naseem et al. (2017) have proven that the independent board of directors has a positive effect on the disclosure of corporate social activities. So, the hypothesis that can be formulated is as follows:

H₂: Board independence has a positive effect on ISR disclosure

Board Diversity

The presence of women on the corporate board of directors influences the disclosure of corporate social activities. According to Stephenson (2004), female directors pay more attention to auditing, supervision, and risk control. Women directors also emphasize financial performance measures such as innovation and social responsibility and financial performance measures. Williams (2003) shows a relationship between women on the board and corporate philanthropy in the arts and public service fields. While Martinez et al. (2018) corroborate with the results of his research which proves that female directors have better skills than male directors, which results in increased organizational performance. So, the hypothesis that can be formulated is as follows:

H₃: Board diversity has a positive effect on ISR disclosure

Board Activity

The number of board member meetings in a year is used to measure board activity. The number of board meetings reflects the effectiveness of the board and the level of control over the activities carried out by the company. The increased number of regular meetings allows them to share more information and improve decision-making, increasing its value (Laksmana, 2008). The research results conducted by Giannarakis (2014) demonstrate that the number of meetings has a positive relationship with CSR disclosure. A board of directors that meets frequently tends to handle business operations and CSR disclosures effectively to satisfy various stakeholders (Naseem et al., 2017). Therefore, in this study, the following hypothesis is formulated as follows:

H₄: Board activity has a positive effect on ISR disclosure

Control Variable

The control variables for this study were company size, profitability, company age, and CSR committee. Large companies are more likely to disclose CSR voluntarily either on their annual reports or their website. It is meant to reduce political costs, circumvent the regulation, and display consistency as a responsible citizen (Gamerschlag et al., 2011). Profitable companies will provide more CSR information to legitimize their existence. Because management has the freedom and flexibility to publish more CSR information to shareholders, there is a positive relationship between profitability and the level of CSR disclosure (Haniffa & Cooke, 2002). The relationship between company age and ISR disclosure is that older companies are more likely to know the specifics of the businesses and communities in which they operate. They have the experience of being part of their surroundings and acting as good citizens in society. In addition, the old company realized that disclosure has a high value to attract investors and improve the company's image (Al-Gamrh & Al-Dhamari, 2016). The last control variable is the CSR committee. The CSR committee has the task of creating accountability to produce policies and strategies by increasing

transparency by disclosing more non-financial information. Establishment of this committee to improve the efficiency of the Board (Fuente et al., 2017).

Research Methods

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This study uses quantitative methods and multiple linear regression analysis—technical analysis of data using descriptive statistics to overview the relationship between variables. Model quality test is also needed to ensure that the regression estimation results are entirely free from heteroscedasticity, multicollinearity, and autocorrelation symptoms. This study uses a sample of Islamic Commercial Banks in Indonesia, which consistently reports financial reports from 2016 to 2019. Thirteen (13) Islamic Commercial Banks meet all the sample selection criteria, so the total observation data is 52.

The dependent variable of this study is the disclosure of CSR, which is measured using the ISR (Islamic Social Reporting) index. This index consists of 38 items in 6 categories: the funding and investment theme, the products and services theme, the employee theme, the society theme, and the environment theme (Haniffa, 2002b). Othman et al. (2009) then developed the theme of corporate governance by adding a theme of disclosure. In measuring this index, we use content analysis techniques to calculate the amount of information disclosed by each bank if it discloses the information in the company's report, and zero if it does not disclose.

The board attribute, as measured by the proportion of women on the board of directors, the independent board, as measured by the proportion of board members from outside the company, board activity, as measured by the number of board meetings, and board size, are the independent variables in this study. The control variables of this study are profitability, the existence of the CSR committee, company age, and company size.

Results and Discussion

Descriptive statistical analysis for the research sample includes the mean, minimum, maximum, and standard deviation of each variable. The results of descriptive statistics can be seen in table 1.

The ISR index is a benchmark for implementing banking social performance that Islamic banks have carried out. From table 1, the average Islamic Commercial Bank discloses information on its social activities based on the ISR index of 0.72. Table 1 illustrates that almost all sample companies have carried out disclosures and social activities following the ISR index, with an average disclosure exceeding 50%. Board size reflects how many boards of directors in each sample company have authority and are responsible for managing the company. As shown in table 1, the average board size is 3.63. It means that almost all Islamic Commercial Banks have complied with Bank Indonesia and OJK regulations, which state at least three members of the board of directors. With the fulfillment of the number of members of the board of directors, the role of the board of directors can assist in making decisions and company policies.

Board independence is proxied by the percentage of board commissioners from outside the company divided by the total commissioners. From table 1, the average board independence is 0.6 or 60%, which indicates that Islamic Commercial Banks have complied with the OJK Regulation Number 55/POJK.03/2016, which regulates the number of independent commissioners at least 50% of the total number of members of the board of commissioners. The percentage of female directors on the board of directors is measured by dividing the number of female directors by the percentage of female directors. This measurement reflects how large the proportion of female directors is compared to male directors. From table 1, the average board diversity is 13.14%, which indicates the subordinate role of women as decision-makers in the board of directors. Representation of women on the board of directors is still less than 30%. The board activity is measured by the number of meetings held by the board of directors. The data show that the sample companies held meetings 21 times a year on average. In

addition, the board of directors coordinated at least twice a month to determine company policies and strategies.

The company's size is proxied by the assets of Islamic Commercial Banks at the end of each year of observation which has an average of 13.1975, which indicates that almost all sample companies are significant. Furthermore, profitability shows the company's ability to earn profits, which has an average of 0.64. Meanwhile, the average age of the company is eight years, which indicates that the sample companies have been operating for a long time. Finally, the CSR committee shows whether there is a CSR committee in the sample companies that specifically handles social activities in the sample companies. The data show that very few Islamic Commercial Banks have CSR committee.

The classical assumption test ensures that the research model is in a suitable category. Based on table 2, 52 observational data have passed the classical assumption test. Furthermore, the Adjusted R Square value shows that 53.3% of board size, board independence, board diversity, board activity, and control variables can explain the disclosure of the ISR index.

Table 1. Descriptive Statistics Test Results

Variable	N	Min	Max	Mean	Std.Dev
ISR	52	0.38	0.90	0.72	0.11
Board Size	52	2.00	6.00	3.63	0.82
Indep_Board	52	0.33	1.00	0.60	0.17
Diversity_Board	52	0.00	66.67	13.14	18.40
Activity_Board	52	6.00	51.00	21.31	12.31
Company Size	52	11.82	14.33	13.20	0.69
Profitability	52	-20.13	12.40	0.64	4.72
Age_Company	52	0.00	27.00	8.96	6.29
Committee_CSR	52	0.00	1.00	0.11	0.32

Table 2. Summary of Classification Assumption Test

Multicollinearity Test	Tolerance	VIF
• Size Board	0.528	1,893
• Indep_Board	0.652	1,533
• Diversity_Board	0.650	1,539
• Activity_Board	0.672	1,491
Control Variable		
• Size Company	0.682	1,467
• Profitability	0.896	1,117
• Age_company	0.593	1,686
• Committee_CSR	0.761	1,314
Heteroscedasticity test (Glejser test)	Sig. t-test	
• Size board	0.453	
• Indep_board	0.566	
• Diversity_Board	0.602	
• Activity_Board	0.924	
Control Variable		
• Size Company	0.187	
• Profitability	0.704	
• Age_Company	0.423	
• Committee_CSR	0.761	
Durbin-Watson test	2,388	
Normality Test		
▪ Kolmogorov- Smirnov test	0.064	
▪ Adj R Square	0.533	
N = 52		

Table 3 shows that only the board diversity variable can affect the disclosure of ISR at Islamic Commercial Banks in Indonesia. In contrast, the other three variables do not affect the ISR disclosure.

Based on the test in table 3 above, it is evident that the company size t count is 0.153 with a significance of 0.879 and the coefficient of the firm size variable is 0.003. Therefore, the board size does not affect ISR disclosure at the 5% significance level. Therefore, it means rejecting hypothesis 1. For the board independence variable, t count is -1.572 with a significance of 0.123,

and the coefficient of the board independence variable is -0.123. Therefore, the board's independence does not affect ISR disclosure, rejecting hypothesis 2.

The board diversity variable has a t count of 2.130 with a significance of 0.039 and the board diversity variable coefficient of 0.002. Therefore, board diversity affects ISR disclosure, which means that hypothesis 3 is accepted. For the board activity variable, t count is 0.759 with a significance of 0.671, and the coefficient of the board activity variable is 0.001. Therefore, it also shows that board activity does not affect ISR disclosure. Therefore, it means rejecting hypothesis 4.

Table 3 also shows the results for the control variables. Of the four control variables, two control variables affect the ISR disclosure at a significance level of 5%, namely company size and profitability, respectively, with a significance of 0.000 and 0.001. Meanwhile, two other variables, namely the company's age and the CSR committee, affect ISR disclosure at a significance level of 10%, with a significance of 0.069 and 0.060.

Table 3 Summary of Hypothesis Testing

Independent and control variables			
Hypothesis test	Coefficient	t value	Sign
Size Board	0.003	0.153	0.879
Indep_Board	-0.123	-1,572	0.123
Diversity_Board	0.002	2130	0.039
Activity_Board	0.001	0.759	0.671
Control Variable			
Size Company	0.076	3,963	0.000
Profitability	0.009	3,498	0.001
Age_Company	0.004	1,866	0.069
Committee_CSR	-0.075	-1,935	0.060

This study aims to analyze the effect of the ISR disclosure index on the board of directors' attributes analyzed using multiple linear regression. From the statistical results, board size does not affect ISR disclosure. The total number of board of directors should indicate that the more members of a Sharia Commercial Bank's Board of directors, the more expertise and knowledge can influence its policy to disclose its social activities (Tauringana & Chithambo, 2015). A larger board size also allows for a broader range of skills and expertise required to improve the disclosure of green banking practices (Bose & Khan, 2017). However, in this study, even though the number of boards of directors is following OJK regulations Number 55/POJK.03/2016, it turns out that the board of directors at Islamic Commercial Banks has not been able to influence the quality of ISR disclosures. These findings support the claim that a smaller board size improve board decision making because board members are more actively involved in decision-making and management monitoring. With fewer boards, coordination will be improved and the directors will feel more responsible and accountable for their responsibilities (Jizi, 2017).

Board size does not affect CSR disclosure because the appointment of an outside board of directors does not serve as a substitute for the existing director. Instead, their presence serves to fill additional board positions, reducing the board's effectiveness in carrying out its duties and responsibilities (Rahma & Bukair, 2015). The results of this study are in line with the research by Rahma & Bukair (2015). Therefore, there is no effect of board size on CSR disclosure. Furthermore, the appointment of an outside board of directors does not act as a substitute for the existing director. However, their presence is to fill additional positions on the board of directors, making the board evidence-less effective in carrying out its duties and responsibilities. These results also support the results of the study Arcay & Vázquez (2005), Rahma & Bukair (2015), and Alotaibi & Hussainey (2016).

The independent board variable does not affect the ISR disclosure, so the second hypothesis is rejected. The role of the independent board of commissioners is to be a check and balance mechanism, ensuring that all top

management policies are in line with the best interests of all stakeholders (Bose & Khan, 2017). In this study, the role of the independent board of commissioners is to provide input related to external disclosures and company activities related to environmental and social performance. The results of this study are in line with the research by Handajani (2019), which states that the independent board of commissioners has not been able to carry out its role to supervise managerial performance, one of which is activities and reporting related to environmental aspects in their company.

From the data of this study, the average independent board of commissioners of the sample companies is 60% of the total number of commissioners. This number exceeds Bank Indonesia's regulation which requires the number of independent commissioners to be at least 50%. It shows that an independent board of commissioners is only to meet regulatory pressures in Indonesia. Many independent commissioners have not been able to carry out maximum supervision to encourage Islamic Commercial Banks to disclose ISR. According to Olivar (2014), the competence of the board of commissioners plays an essential role in decision-making. If the independent board of commissioners has good competence, it will improve decision-making quality at the board commissioner's level. These results align with Hesselink's (2017) and Alotaibi & Hussainey's (2016) research.

As measured by the percentage of women on the boards of directors, board diversity impacts ISR disclosure. These findings support the theoretical argument that women are less selfish economically than men. Furthermore, having women on boards can help with problem-solving, increase leadership effectiveness, and promote global cooperation efficiency (Robinson & Dechant, 1997). According to Carter et al. (2003), board diversity can increase board independence because of gender, ethnicity, or cultural background heterogeneity. In addition, board diversity will also promote creativity and innovation, which will lead to effective decision-making.

Meanwhile, according to De Celis et al. (2015), a woman's leadership style will encourage more excellent CSR disclosure practices. In addition, female

directors are more sensitive to CSR activities than male directors because of women's proclivity in education, regulation, and non-profit activities. The findings of this study support the findings of previous research by Fuente et al. (2017) and Hesselink (2017).

The activity variable of the board of directors is proxied by the number of board member meetings in a year. It reflects the board's effectiveness and the level of control over the company's activities. The increased number of regular meetings allows the board of directors to share more information and improve decision-making quality, which increases the company's value (Laksmiana, 2008). A board of directors with many meetings is more likely to handle business operations and CSR information disclosure effectively to satisfy various stakeholders. However, in this study, even though the board of directors held 21 meetings on average in a year, it has not influenced the ISR disclosure in the sample companies. It could be because the board of directors is only responsible for the ISR's policy level and not for its implementation, which is most likely the time-consuming part (Giannarakis, 2014). In addition, the board of directors focuses more on the primary information desired by the market, namely financial performance, not information related to the company's CSR activities. The higher the frequency of board meetings, the lower the CSR disclosure. In addition, the Indonesian public's concern for environmental problems is still low, so if too much information is disclosed, it will prevent investors from capturing information effectively (Harymawan et al., 2020).

The control variables consisting of firm size, profitability, company age, and CSR committee are proven to influence ISR disclosure with a significance level of 5% and 10%, respectively. Company size is proxied by the natural logarithm of the total assets owned by Islamic Commercial Banks. The larger the company, the more resources it has to invest in various activities such as social and environmental initiatives (de Villiers et al., 2011). The results showed a positive influence between company size and ISR disclosure: the bigger the company, the more ISR disclosures in company reports to the

public. It is because larger company size will bring in many stakeholders, and the company must respond to stakeholders' needs and interests.

The profitability variable is also proven to affect the ISR disclosure. Companies that benefit have the freedom and flexibility to expose their CSR practices to a broader range of stakeholders, thereby legitimizing the company's presence in society (Haniffa & Cooke, 2005). Roberts (1992) found a positive relationship between CSR disclosure and earnings. Another control variable, company age, also positively affects ISR disclosure at a significance level of 10%. Companies that have been in business for a long time are more likely to know the ins and outs of their industry and be familiar with the work environment and community in which they operate. The company has experience being a part of the surrounding environment and acting as a good community citizen by disclosing more CSR information (Al-Gamrh & Al-Dhamari, 2016). From the sample data, the average company has been around for almost nine years, where the company is quite familiar with the environment and the details of the company's business.

The control variable of the CSR committee has an influence on ISR disclosure with a significance level of 10% but has a negative relationship. Consequently, the presence of a CSR committee in the sample companies does not increase ISR disclosure. The responsibility of the CSR Committee is to propose CSR policies and strategies to be followed, ensure the proper operation of CSR information, control the system, and supervise the annual CSR reports (García-Sánchez, et al., 2017). The results showed that many Islamic commercial banks still do not have a CSR committee, so it is unlikely that this committee will influence ISR disclosure.

Conclusion

The board's characteristics influence Islamic Commercial Banks' ISR disclosure. The tested attributes show that only board diversity attributes can affect the ISR disclosure. The increasing proportion of women board members will further increase ISR disclosure. The diversity of the board will

also enhance creativity and innovation, which will lead to effective decision-making.

Additionally, we discover that board size does not affect ISR disclosure since a smaller board improves the board's decision-making process by allowing board members to participate more actively in decision-making and management supervision. The attribute of board independence also does not affect ISR disclosure because an independent board of commissioners is only to meet regulatory pressures in Indonesia. Many independent commissioners have not performed maximum supervision to encourage Islamic Commercial Banks to disclose ISR. The board's activities can also not influence ISR disclosure because the board of directors is only responsible for the ISR's policy level and not for its implementation, which is highly unlikely.

This study has several limitations. First, this study only focuses on annual reports measuring ISR disclosure by the sample companies. Future research may extend research time, and other forms of disclosure, such as interim reports, press releases, and internet non-financial reporting, should be included. Second, future research can use multiple coders to avoid subjectivity. Third, this study only focuses on a few board of directors' attributes. Future research may add several variables to the characteristics of the board, such as audit committee, board diversity based on culture or education, and other more relevant variables.

Theoretically, this research has implications for developing a financial theory regarding the theory of legitimacy. From the research results, only one board attribute affects ISR disclosure, namely board diversity. Thus, the results of this study encourage the direction of financial accounting research and corporate governance to analyze other variables that affect ISR disclosure. In addition, this research also has implications for the efforts made by banks to improve ISR disclosures to meet stakeholder interests. It will increase the company's value when banks express their concern for the social and environment.

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