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The Effect of Cross-Sharia Membership and the Size of the Sharia Supervisory Board, the Size of the Company on the Disclosure of Sharia Compliance

Dahliah Dahlifah*, Uun Sunarsih
Department of Accounting
Sekolah Tinggi Ilmu Ekonomi Indonesia
Jakarta, Indonesia
*dahlifah@stei.ac.id, uun_sunarsih@stei.ac.id

Abstract—This study aims to examine whether the effect of cross-sharia supervisory board membership, the size of the sharia supervisory board, and the size of the company on the disclosure of sharia compliance in Islamic banking in Indonesia in the period 2014-2018. This research uses descriptive research with quantitative approach. The data is measured using panel data regression method with eviews. The population in this research are all sharia commercial banks registered and supervised by the financial services authority in 2014 until 2018. The sample is taken by purposive sampling, based on the criteria of the total population of 13 sharia banks, only a few who meet the criteria that is amounted to 10 sharia banks. The data used in this study is secondary data obtained from the annual publication financial report published by sharia commercial banks from the official website of each bank. Period of data used during 2014 to 2018. Hypothesis testing using partial test, simultaneous test and test of coefficient of determination. The results prove that partially the membership of the sharia supervisory board has no significant effect on sharia compliance disclosures. The size of the sharia supervisory board has a significant positive effect on sharia compliance disclosures. Company size has a significant positive effect on sharia compliance disclosure. While simultaneously showing that the cross membership of the sharia supervisory board, the size of the sharia supervisory board, and the size of the company together influence the disclosure of sharia compliance.

Keywords: sharia supervisory board, company size, sharia compliance

I. INTRODUCTION

Sharia information disclosure as a form of means of *dakwah* is very urgent to be carried out by Islamic banks as a form of accountability to the public, especially stakeholders [1]. Disclosure leads to better market openness and stronger market discipline in the banking sector so as to improve the stability of the banking sector [2]. Triyuwono [3] and Azmi et al [4] added that the disclosure in the financial statements of the bank Islam not only reveal financial information but also reveal information associated with sharia compliance. Therefore, Islamic banks need to disclose sharia information about their operational activities in financial statements because Islamic banks have a responsibility to stakeholders to

explain and ensure that their products services and operational activities are in accordance with sharia principles. In the community's view, the fulfilment of sharia principles is at the core of the integrity and credibility of Islamic banks experts explain that, enterprise theory is more appropriate for an economic system based on sharia values, because it emphasizes broader accountability. This is as stated by Triyuwono that the diversification of economic power in the concept of sharia is highly recommended, given that the sharia prohibits the circulation of wealth only in certain circles [3].

The sharia supervisory board has the most important role in the process of applying sharia principles. The sharia supervisory board is an instrument of sharia bank governance to assist in managing funds efficiently as well as ensuring all sharia bank products and procedures are in accordance with sharia principles [5].

The sharia supervisory board, it is in Indonesia called in Indonesian is *Dewan Pengawas Syariah* (DPS) as information for their entity, also has the responsibility to provide direction, review and supervision of the activities of sharia banks in order to ensure sharia compliance in capital participation, financial instruments without interest, profit sharing contracts and zakat [6]. DPS membership traffic is DPS activity in various professional memberships [5,6]. If the number of professional organizations participated by the sharia supervisory board is expected to improve the performance of sharia supervision and disclosure DPS membership activities are considered to have broad insights to comply with sharia because this insight will encourage to have awareness to comply with sharia principles so that in the end it will encourage disclosure of sharia compliance.

Meanwhile, the number of DPS members will also affect the extent of disclosure of Shariah compliance in Islamic banks also believes that the more number of DPS, the greater the desire to comply with sharia rules so that the broader disclosure of sharia compliance [5,6]. Company size also determines the extent of disclosure. The greater the size of the company's assets, the broader the disclosure will be. Few previous studies have examined the factors that influence the disclosure of sharia compliance. However, there are inconsistent results such

as the results of Khasanah and Yulianto on the cross-membership variable of the sharia supervisory board which is not significant to the disclosure of sharia compliance [7], in contrast to the results of Adrian's study which showed significant results on the disclosure of sharia compliance [8]. On the sharia supervisory board Size variable showed insignificant results on disclosure of sharia compliance but differed from the result [9,10] which showed significant results on disclosure of sharia compliance. Based on the background above the subject matter of this study are: "Is the cross membership of the sharia supervisory board, the size of the sharia supervisory board, and the size of the company affect the disclosure of sharia compliance?"

II. METHODS

The strategy used in this study is a casual associative study strategy, the study aims to determine the relationship between the events that occur or influence between two or more variables. Population of the study is the Islamic bank in Indonesia totally 13 Islamic Bank, among others: *PT. Bank Muamalat Indonesia, PT. Bank Victoria Sharia, Bank BRI Sharia, B.P.D West Java, Banten Sharia, Bank BNI Sharia, Bank Sharia Mandiri, Bank Sharia Mega Indonesia, Panin Sharia Bank, PT. Bank Sharia Bukopin, PT. BCA Sharia, PT. Maybank Sharia Indonesia, BJB Sharia, BTN Sharia.*

In the sampling using the technique of purposive sampling with the following characteristics: 1) Banks that have gone public, 2) Has published its financial reports to the Financial Services Authority, the period 2014-2018, 3) Operate nationally in Indonesia (not Bank and Bank Mixed). Based on those criteria's, from a total population of 13 Islamic banks, Islamic banks only 12 to meet the bank's criteria. *PT Bank Sharia BRI, PT Bank Sharia Mandiri, PT Bank Sharia Bukopin, PT Bank Mega Sharia, PT. Bank Muamalat Indonesia, Bank BNI Sharia, PT. BCA Sharia, Bank Panin Sharia, Bank Aceh Sharia, Bank Victoria Sharia, Maybank Sharia Indonesia, Bank Jabar Banten Sharia.* The data used is secondary data obtained from the annual report of Bank Sharia obtained from Bank Indonesia (BI) and the Financial Services Authority (FSA). The variables operational definition are:

A. Sharia Compliance Disclosure Index

Disclosure of sharia compliance is measured using 78 indicator parameters developed by Hameed and Rizal [1]. Sharia compliance disclosure index based on standard indicators namely Islamic ethical identity in Hameed and Rizal [1]. Each indicator has the same weight. Determination of the score using a dichotomous scale, where the rating points will be given a point if any and zero points if not communicated. Disclosure of sharia compliance required by PSAK 101 accounting standards only informs the DPS opinion, duties and responsibilities of the DPS alone without an explanation [3] the reasons for the occurrence of sharia transactions [7]. Sharia compliance is an indicator of Islamic disclosure to ensure Islamic bank compliance with sharia principles. Thus, sharia compliance is a form of accountability in the disclosure of Islamic bank compliance with sharia principles [9]. Shariah compliance has [3]n operational meaning [11], namely compliance with the National Sharia Council *Fatwa* (DSN)

because the DSN *Fatwa* is a form of sharia principles and rules that must be adhered to Islamic banking [10,12].

B. Cross Membership of the Sharia Supervisory Board

The cross-membership can be seen from the DPS activities. In addition to being a sharia supervisory board owned by every member of sharia supervisory board that is a benchmark of professionalism in disclosure of sharia compliance [11]. In this study, cross-membership is measured by the large number of sharia supervisory boards that have activities other than being a sharia supervisory board. Membership crossing can be measured of professionalism of Sharia Supervisory Board members, namely by looking at the number of DPS memberships in professional organizations or institutions such as the Association of Islamic Economics Experts in Indonesian called *Ikatan Ahli Ekonomi Islam* (IAEI), Indonesian Institute of Accountants or *Ikatan Akuntan Indonesia* (IAI), Sharia Economic Society in Indonesian is *Masyarakat Ekonomi Syariah* (MES) and others. The more cross DPS membership in professional organizations, it is assumed to influence the level of professionalism that will have an impact on the interest in disclosing sharia compliance [4,5].

C. The Size of the Shariah Supervisory Board

The existence of a sharia supervisory board is expected to oversee the sharia bank so that its practices and activities are carried out in accordance with Islamic principles. In this study, the number of DPS is measured by the large number of DPS members in Islamic banks. An increase in the number of members of the sharia supervisory board leads to a higher level of disclosure of sharia compliance in monitoring [12].

D. The Size of the Company

The size of the company is calculated from the total assets of the company because researchers want to make research whether the number of assets affects the disclosure of sharia compliance. The larger the company, the higher the supply of information within the company. The larger the company will bring greater expenditure in realizing the legitimacy of the company.

$$\text{SIZE} = \text{Ln}(\text{Total Aset}) \quad (1)$$

III. RESULTS AND DISCUSSION

Normality test in this test using Jarque-Bera (J-B) test, with Jarque-Bera (J-B) value $<\chi^2$ table and probability value > 0.05 , it can be said that the data is normally distributed. Based on the results of the Jarque-Bera histogram test above shows the probability value of 0.664222, thus it can be concluded that the data used in this study are normally distributed. Because the probability value of Jarque-Bera is greater than 0.05, namely $0.664222 > 0.05$. Multicollinearity test between variables can be identified by using correlation value between independent variables. If the correlation value < 0.80 then there is no multicollinearity problem. The test results show that the correlation value between independent variables is less than 0.80, it can be concluded that there is no problem multicollinearity between independent variables in regression model. Autocorrelation test is done with Durbin Waston (DW-

Test) test. Based on the results of autocorrecting tests obtain Durbin Watson (DW) value of 1.9476 while the value dU is 1.7323 and the upper limit value (4-dU) of 2.267. Thus the DW values are between dl and du ($dU \leq DW \leq 4-dU$). Based on these results, it can be concluded that there is no autocorrelation in the regression model. Heterocedasticity test was performed by glejser test. Based on the results of glajer test is the probability value of significance above the level of confidence 5%. So it can be concluded that regression model is free from heterocedasticity. Based on the result of determination coefficient test is obtained value of adjust R2 equal to 86%. This means 86% of variations in, Cross Membership of the Sharia Supervisory Board. The Size of shariah Supervisory Board, The Size of company. Based on regression estimation method between Common Effect Model (CEM), Fixed Effect Model (FEM) and Random Effect Model (REM) and model selection of regression equation with chow test, hausman test Random Effect Model (REM) is chosen for equation Linear regression of panel data. Model estimation obtained from Random Effect Model (REM) can be written as follows:

$$Y = 1.424305 + 0.035150X_1 + 0.042201X_2 + 0.000775X_3 + \epsilon$$

Based on the results of t test, then the decision can be taken as follows: The variable Size of the shariah Supervisory Board, The Size of the company has a positive effect on the disclosure of shari. This is consistent with Azmi et al. [4], Rahman et al. [5], Khasanah and Yulianto [7], Ardian [8], study which proved the effect. The variable Size of shariah Supervisory Board, The Size of the company on disclosure of shari'ah. It means that the greater the company will use the desire to expand disclosure sharia compliance. Size of the shariah Supervisory Board has a probability value of 0.0153 greater than the significance of 0.05 ($0.0153 < 0.05$, so H0 Rejected which means size of the shariah Supervisory Board has a positive effect on the disclosure of shari'ah. It means that the large number of DPS members will have an impact on the desire to disclose sharia compliance in sharia bank financial statements [13].

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Furthermore variable the Size of the company has a probability value of 0.000 greater than the significance of 0.05 ($0.000 < 0.05$, so H0 Rejected which means the size of the company has a positive effect on the disclosure of shari'ah. Meanwhile, the Cross Membership of the Sharia Supervisory

Board variable has a probability value of 0.3836 greater than the significance of 0.05 ($0.3836 > 0.05$) and so H0 is accepted. It has a partial meaning that the Cross Membership of the sharia supervisory board variable has no effect on the disclosure of shari'ah. It means that this means that the number of DPS memberships in professional organizations does not impact on the desire to disclose sharia compliance [13].

IV. CONCLUSION

The result of this study shows size of the shariah supervisory board, size of the company can effect on the disclosure of sharia. In sharia bank. This means that this means that the greater the level of supervision of sharia compliance for sharia banks whose assets are large, the wider the level of disclosure of sharia compliance in the financial statements.

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