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

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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 fulfillment 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 shariah 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-

II. METHODS

The strategy used in this study is a casual associative study

The existence of a sharia supervisory board is expected to

D. The Size of the Company

The size of the company is calculated from the total assets

A. Sharia Compliance Disclosure Index

Disclosure of sharia compliance is measured using 78

B. Cross Membership of the Sharia Supervisory Board

The cross-membership can be seen from the DPS activities.

C. The Size of the Shariah Supervisory Board

The size of the company that must be

III. RESULTS AND DISCUSSION

Normality test in this test using Jarque-Bera (J-B) test, with

where \( \alpha \) is the level of significance.
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 ≤ DW ≤4-dU). Based on these results, it can be concluded that there is no autocorrelation in the regression model. Heteroscedasticity test was performed by glejs test. Based on the results of glejer 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 heteroscedasticity. 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 sharia 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:

$$Y=1.424305+0.035150X_1+0.042201X_2+0.000775X_3+ε$$

Based on the results of t test, then the decision can be taken as follows: The variable Size of the sharia Supervisory Board, The Size of the company has a positive effect on the disclosure of shari'ah. 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 sharia Supervisory Board, The Size of the company on disclosure of shari'ah. It means that the greater the company will cause the desire to expand disclosure of sharia compliance. Size of the sharia 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 sharia 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 be 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 sharia 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.

REFERENCES