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RESEARCH ARTICLE

The Influence of Directors' Characteristics on the Social Performance of Sharia Banking in Indonesia

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ABSTRACT

The primary objective of this study is to furnish empirical proof relating to the influence of characteristics of board directors on social performance (SP). The sample utilized in this study comprises Sharia banking companies in Indonesia that were listed by the Financial Services Authority (OJK) between 2008 and 2019, yielding a total of 134 observations. The sample selection utilized the purposive sampling technique combined with panel data analysis. The findings of this study demonstrate that the characteristics of board directors, as indicated by the number of board members and their educational backgrounds, exert a good influence on the social performance of Sharia banking in Indonesia. Conversely, the characteristics of board directors, specifically the presence of female directors, the educational level of board members, and their age do not exert any influence on the social performance of Sharia banking in Indonesia.

Keywords: Directors characteristics, Social performance.

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1. Introduction

Law Number 21 of 2008, relating to Sharia banking, mandates that Sharia banks are financial institutions that conduct their business operations based on Sharia principles or Islamic legal principles, as outlined in the fatwa (religious edict) of the Indonesian Ulema Council. These principles include justice and balance ('adl wa tawazun), benefit (maslahah), universality (alamiyah), and the exclusion of gharar, masyir, usury, oppression, and prohibited items (Indonesia, 2017). Furthermore, the Sharia banking law mandates that Sharia banks fulfill social responsibilities by performing functions, namely acting as Baitul Mal institutions to receive zakat funds, infaq, sadaqah, grants, or other social funds and distribute them to waqf managers (nazhir) is based on the wishes of the waqf donor (wakif) (Nugraheni, 2018).

The development and expansion of Sharia banking are closely intertwined with the role played by the Indonesian government in promoting the Islamic economy. One of these initiatives is the Indonesian Sharia Economic Masterplan (MEKSI), which was introduced by Joko Widodo in 2019 during his tenure as the Chairman of the National Committee for Sharia Economics and Finance (KNEKS). This masterplan has a vision of establishing Indonesia as an independent, prosperous, and civilized nation, aiming to become a global leader in Islamic economics. In 2020, MEKSI was refined into a Work Implementation Plan for the period 2020–2024 through influence coordination among stakeholders (Puspasari, 2021). Nonetheless, in the same year, Suminto, who served as the KNEKS Secretariat, recognized the pressing need to enhance the Islamic social finance sector to enhance the governance of Islamic social finance, enabling more influence management of Islamic social funds (Saptati, 2021).

By assessing a company's financial and non-financial aspects of performance, one can gain insights into the company's financial status during a specific period, which encompasses both aspects of raising and allocating funds (Zuliana & Aliamin, 2019). Based on the stakeholder concept, performance is analyzed by two dimensions: economic and social. Economic performance is evaluated using measures, namely profitability (Residual Income or Economic Value Added) and financial ratios (Return on Assets, Return on Equity, Earnings Before Interest Tax, Depreciation and Amortization (EBITDA), Gross Profit Margin, etc.). On the other hand, social performance is assessed through non-market mechanisms that can fulfill the interests of primary or secondary stakeholders (Frederick *et al.*, 1992). This is guided by Saridona and Cahyandito (2015), who state that social performance is related to the outcomes achieved by the company because of its environmental and social concerns.

Social performance is evident in the disclosure of corporate social performance in the company's annual report or other information channels (Arifin & Wardani, 2016). Meanwhile, the concept of social performance in Sharia banking refers to the assessment of the performance of Sharia banks that more accurately reflects the application of Islamic values and principles in practice (Reza & Violita, 2018). This signifies that the primary objective is not solely profit-oriented, but rather, social concerns take precedence. Nevertheless, in practice, the public's comprehension of Sharia financial economics remains quite restricted, resulting in suboptimal participation and susceptibility to both inaccurate news and opinions regarding Sharia financial economics (lack of literacy) (Saptati, 2021). The promotion of Islamic economic literacy by in the community is essential to enhance people's understanding and knowledge of Islamic economics. This effort aims to encourage individuals to prioritize financial planning and avoid investments in obscure financial instruments (Milla, 2021).

The unveiling of the master plan and the urgent requirement for the advancement of the Islamic social finance sector raises the question of the extent to which Sharia banks have discharged their social performance responsibilities. Have the social performance objectives been executed in alignment by Sharia principles and values? Social objectives pertain to the concepts of social justice and accountability (Farook *et al*., 2011). It is expected that Sharia banks would demonstrate a greater degree of social responsibility in comparison to conventional banks, given that Islam places a significant emphasis on social justice (Haniffa & Hudaib, 2007). There exist numerous instances of social justice, as exemplified by practices emphasized in Islam, including the prohibition of usury, the payment of religious taxes (zakah), and the arrangement of interest-free loans (qardhul hasan) (Rahman & Bukair, 2015). Social justice can also be demonstrated through the utilization of genuinely Sharia financial lending modes, namely mudharabah and musharakah (Samad & Hassan, 1999).

Sharia banking, as a component of the Islamic economic system, was established by the aim of attaining Islamic socio-economic objectives, namely achieving distributive justice, among others. The endeavor to achieve these objectives has resulted in the formulation of a distinctive and more extensive Achievement measurement framework tailored for Sharia banks. In the study titled 'Alternative Disclosure and Performance for Sharia Banks,' the scholars introduced the notion of the 'Islamicity Performance Index.' (Hameed *et al*., 2004). More precisely, these four subjects or themes pertaining to the social performance of Sharia banking will subsequently culminate in the creation of a ratio index utilized for the assessment of social performance. This index comprises the following components:

1. The contribution of economic development is represented by the degree of profit-sharing financing and the degree of the agency function of Islamic banking.
2. The contribution to society is reflected in the qardh financing ratio and the zakat performance ratio.
3. The contribution to stakeholders is illustrated by the Mudarib welfare contribution ratio and the investor welfare contribution ratio.
4. Contribution to human resources (HR) capacity building is indicated by the contribution ratio for HR development.

The primary role or function of stakeholders is to contribute to shaping policies, rules, or projects that align with and fulfill the organization or company's enhancement objectives. This aligns by the social responsibility of Sharia banks (IB), which encompasses the bank's dedication to the well-being of all stakeholders (Al-Shamali *et al*., 2013). The social function is a distinctive characteristic of Sharia banks that is recognized by conventional banks. Basedto (Haniffa & Hudaib, 2007) IB performs its social function through its participation in handling social funds, namely zakat, saddaqah, and qardul hasan. The social function of Sharia banks exemplifies their role in promoting the well-being of society and assisting muslims in fulfilling their religious obligations (Maali *et al*., 2006). In the company, their roles may vary, but they all share the common goal of advancing the company's business. Stakeholders themselves play roles that include guiding management, providing financial support, offering assistance in decision-making, overseeing company operations, and fulfilling social responsibilities.

The primary stakeholder responsible for tasks related to guiding management, decision-making, and overseeing operations is the board of directors. Why directors? Because directors are leaders elected by shareholders to represent their interests in the company. POJK 33/POJK.04/2014 also delineates the Assignments and responsibilities of the board of directors in the management and supervision of issuers or public companies. In the interim, the board of commissioners is responsible for performing comprehensive and targeted oversight activities based on the company's articles of association while also offering counsel to the board of directors. As delineated in Article 1 of Law No. 40 of 2007 pertaining to limited liability companies, the board of directors constitutes a corporate entity duly empowered and wholly responsible for the management of the company in the company's best interest, in alignment with its goals and objectives. Furthermore, it acts as the company's representative both in and outside the court, based on the stipulations outlined in the articles of association (Widyati, 2013).

The characteristics of the board of directors are considered to wield a substantial influence on the company's performance, by the characteristics of directors constituting a pivotal factor influencing corporate reputation (Iwu-Egwuonwu & Chibuike, 2011). Through its board members, a company is more likely to influenceively manage the company and foster relationships by the external environment (Musteen *et al*., 2010). The characteristics of the board of directors themselves can influence decision-making, which, in turn, can influence the long-term sustainability of the company. Directors' characteristics can be categorized based on factors, namely size, age, education, and others.

The Sharia banking sector is currently undergoing rapid development and places significant emphasis on service innovation. As an outcome, this study will address proxies for social performance. In contrast to previous studies, this study in evaluating social performance uses social dimension ratios that have been made by Samad and Hassan (1999) and Hameed *et al*. (2004) do not use proxies that have been widely used in other social performance studies, namely Corporate Social Reporting (CSR) (Ali *et al*., 2020; Rahman & Bukair, 2015; Seckin-Halac *et al*., 2021) and Islamic Social Reporting (ISR) (Hussain *et al*., 2021; Mukhibad & Fitri, 2020; Rizfani & Lubis, 2019).

Regarding the independent variable, while it has been extensively utilized in diverse study topics spanning financial and social performance, its predominant application has been confined to the size of the board of directors as a determinant of its influence on CSR disclosure. The same thing is also done by Bai (2013), Zubeltzu Jaka *et al*. (2019), Dhamotharan *et al*. (2020), Ramadhani and Maresti (2021), and many more. Further investigation into the social performance of Sharia banking is unequivocally necessary to elucidate the aforementioned phenomenon. Studies on the social performance (SP) of Sharia banking in Indonesia are relatively scarce compared to studies focusing on social performance using CSR and ISR proxies. Furthermore, in this study, the exploration of the board directors' characteristics extends beyond merely considering the board's size in the particular of Sharia banking study. It also encompasses the presence of female directors, their education level, educational background, and age.

2. Theoretical Basis and Hypothesis Development

2.1. *Stakeholder Theory*

Stakeholders refer to groups or individuals with the ability to influence or be influenced by the achievement of a company's objectives. This theory emphasizes the company's responsibility to consistently cultivate good relationships by entities linked to the organization, thereby maintaining a balance of their interests (Freeman & Reed, 1983). Organizations must identify the stakeholders with whom they have a relationship. This is crucial because it has implications for ethics, policies, and strategic decisions (Fontaine *et al*., 2006).

According to Farook *et al*. (2011), Maintaining Shariah compliance is crucial for upholding the trust of both shareholders and stakeholders engaged in Islamic financing activities. The assessment of Sharia compliance and the disclosure of social responsibility by Sharia banks holds significance in evaluating the performance of these banks and in nurturing relationships among financial institutions and their stakeholders (Hameed *et al*., 2004). Corporations demonstrate their attention to stakeholders by disclosing social information and showcasing corporate social performance (Bayoud *et al*., 2012). Based on stakeholders theory, the implementation of social responsibility encompasses various aspects, including employees, society, the environment, and the economy (Prasetyo & Meiranto, 2017).

Social performance, from an Islamic perspective, refers to activities undertaken by an entity or company that holds a significant role and yields benefits. It goes beyond mere legal obligations and stakeholders' rights. It also arises from the responsibilities and challenges associated with the survival of the company in question and the community, as both are interdependent. This aligns with the Hadith of the Prophet Muhammad (SAW), who stated, '*...by engaging in acts of social charity, wealth will not diminish...*' (Hadits Riwayat Muslim, No. 2558). The roles of stakeholders encompass guiding management, providing financial support, aiding in decision-making, overseeing company operations, and fulfilling social responsibilities. The stakeholders who hold a significant role in performing Assignments related to directing management, decision-making, and overseeing operations are the directors. The board of directors bears the responsibility for handling the company and monitoring the company's business conduct to assess whether the business has been properly administered (Fitria & Yushita, 2018).

The underlying assumption of stakeholder theory is grounded in the idea that as a company grows and becomes deeply intertwined with the community, it is incumbent upon the company to demonstrate accountability and responsibility that extend beyond the confines of shareholders (Sifah, 2019). Social performance is evaluated by assessing how influential resources are managed to empower the community or stakeholders.

2.2. *Social Performance*

Performance is classified as a means to gauge a company's accomplishments based on the goals established at the outset (Hameed *et al*., 2004). The practice of performance evaluation is strongly endorsed in Islam. The concept of 'muhasabah' serves as a foundational representation of performance evaluation, which can be applied to individuals or companies. This forms the philosophical underpinning for the importance of conducting performance evaluation, particularly in the particular of Sharia banking, including its social performance.

Social performance is classified as the manner in which an entity or company fulfills the interests of primary and secondary stakeholders through non-market mechanisms. However, the social performance (SP) of Sharia banking is an assessment of the performance of Sharia banks that more accurately embodies the values and principles of Islam in practice (Reza & Violita, 2018). This is guided by study Nugraheni (2018) which states that social performance (SP) in Sharia banking was established to match the needs of Muslims in financial services and in based by Islamic principles and principles. As stipulated in Article 4 of Law No. 21 of 2008 relating to Sharia banking, Sharia banks and Sharia business units (UUS) are not solely mandated to execute the functions of collecting and distributing public funds; they are also authorized to engage in social functions through the establishment of Baitul Mal Institutions.

The foregoing explanation further delves into the examination of Sharia banking as an integral component of the Islamic economic system, which was established to attain Islamic socio-economic objectives, namely achieving distributive justice and more. In Islam, distributive justice aims to promote equality, ensuring that wealth does not accumulate solely in a particular group but continually circulates in society. To determine the social performance of Sharia banking, this study uses measurements by social dimension ratios that have been created by Samad and Hassan (1999) which were later refined by Hameed *et al*. (2004). This social dimension has been included in the health assessment of Sharia banks, which was established by Bank Indonesia. The components studied in the social performance of Sharia banks (Hameed *et al*., 2004; Samad & Hassan, 1999) include participation in economic development, participation in society, participation in stakeholders, and participation in human resource capacity building.

2.3. Characteristics of the Board of Directors

The Board of Directors is an entity in the issuer or public company endowed by the authority and responsibility for the management of the issuer or public company for its benefit, both in and outside the court, and based on the arrangements outlined in the articles of association (Peraturan Otoritas Jasa Keuangan Nomor 33/POJK.4/2014 Tentang Direksi Dan Dewan Komisaris Emiten Atau Perusahaan Publik, 2014). Meanwhile, based on the study by Aprianingsih and Yushita (2016), the board of directors functions as a leader vested by the authority and responsibility to manage the company. Their assignments include establishing strategic directions, formulating operational policies, and ensuring the overall health of company management.

The board of directors has the authority to establish policies and formulate applicable strategies for the company, both in the long and short term. The attendance of board members has a significant influence on enhancing the company's performance despite certain challenges that have arisen due to the board's underperformance. The characteristics of a board of directors are essential elements needed in the composition of the board of directors for any entity or company. These characteristics are believed to facilitate problem-solving, as the diverse traits of board members offer valuable insights that are beneficial in the processes of policy-making, strategy determination, and decision-making. This is guided by study of Katmon *et al*. (2019) and Naveed *et al*. (2021). A study of the characteristics of directors conducted to date supports the notion that the attributes of directors have an influence on shaping corporate reputation (Kaur & Singh, 2018). The characteristics of directors can be categorized based on factors, namely size, gender, skills, educational background, experience, and other attributes. This classification is guided by the explanation that the inherent characteristics of a board of directors encompass factors like size, age, and education (Caragih, 2013).

2.4. Hypothesis Development

The company cannot operate autonomously and lacks the capability to manage itself; hence, it necessitates individuals by the will to oversee its operations (Widjaja, 2003). Members of the board of directors are needed to have a role in decision-making and policy-making related to social performance (Nguyen *et al*., 2021). The characteristics of the board of directors are kept as factors that facilitate problem-solving, as the diverse traits of the board members offer valuable insights that are beneficial in the processes of policy-making, strategy determination, and decision-making (Sumarta, 2023).

A significant number of board members will undoubtedly enhance the diversity and representation of stakeholders' interests, including aspects of social performance (Zubeltzu Jaka *et al*., 2019). A substantial number of board members will assist the company in achieving competitive performance, particularly with the aid of social activities aimed at satisfying stakeholders' interests (Dhamotharan *et al*., 2020). Nevertheless, an excessively large number of directors is not advantageous for the company, as it can lead to longer and less influential decision-making processes, as well as an increased attendance of free riders on the board of directors. Based on the proxy for the board of directors' size and its influence on the characteristics, the hypothesis is as follows:

H1: The number of board of directors members positively influences the social performance of Sharia banking in Indonesia.

The inclusion of female directors in the company is motivated by both the business model and the pursuit of social justice for women. Having female directors on the board brings forth new skills and perspectives that are expected to goodly influence performance (Seierstad *et al*., 2017). The presence of female directors in a company undoubtedly enables the company to possess a richer reservoir of knowledge and offer a distinct perspective by considering a broader array of solutions to specific issues. This, in turn, contributes to enhancing the quality of decision-making and strategies relating the disclosure of social performance (Conyon & He, 2017). Although in study Lisaime and Sri (2018) explained that in decision making, women generally exhibit a lower preference for risk compared to men, even when they hold positions on a company's board of directors. Therefore, the presence of female directors may not significantly influence company performance. Based on the explanation of the proxy for the presence of female directors in the board of directors' characteristics, the hypothesis is as follows:

H2: The presence of female directors has a positive influence on the social performance of Sharia banking in Indonesia.

Board members with a high level of education undoubtedly have an influence on the company's performance. For instance, board members with a bachelor's degree are more likely to exhibit a higher level of performance compared to those who do not possess such qualifications (He *et al*., 2015). Imposing high education level requirements on board members can enhance corporate social performance and goodly influence the breadth and depth of information utilization (Post *et al*., 2011).

Despite some opinions suggesting that having highly educated individuals on the board of directors does not necessarily lead to superior social performance in Sharia banking companies in Indonesia (Nomran *et al*., 2018). Derived by the depiction of the proxy for the level of education in the characteristics of the board of directors, the hypothesis is articulated as follows:

H3: The level of education among members of the board of directors has a positive influence on the social performance of Sharia banking in Indonesia.

The educational background of board members is a crucial factor in shaping company policies and decision-making processes (Beji *et al*., 2021). The education of board members represents intellectual capital that enables directors to be more productive and motivated in pursuing goals and enhancing company performance (Wu *et al*., 2018). Although having an educational background is important, it may not be influencing if board members do not possess a certain level of knowledge, which is essential for them to fulfill their Assignments effectively (Meiliana & Julia, 2022). Based on the explanation of the proxy for educational background by the characteristics of the board of directors, the hypothesis is as follows:

H4: The educational background of members of the board of directors has a positive influence on the social performance of Sharia banking in Indonesia.

Younger board members are more adept and prepared for the risks associated with social responsibility (Katmon *et al*., 2019). In contrast, the older ones are more cautious in taking risks related to social issues in the company. Having a greater number of young members on the board of directors will have a good influence on the company's social performance (Damanik & Dewayanto, 2021). However, a high proportion of young directors may have a detrimental influence on the disclosure of corporate social performance (Colakoglu *et al*., 2021). Based on the explanation of the proxy for the age of the board of directors by the characteristics of the board of directors, the hypothesis is as follows:

H5: The age of board members has a positive influence on the social performance of Sharia banking in Indonesia.

3. Research Methodology

3.1. Population and Sample

The subject of this study includes banking companies that were listed by the Financial Services Authority (OJK) from 2008 to 2019. This timeframe was selected due to the emergence of the COVID-19 pandemic, which led to various challenges, particularly by in the Sharia banking sector. These challenges included an elevated risk of non-performing loans and limitations on social and economic activities, which disrupted the operations of companies, including their social performance practices (Fiqri *et al*., 2021). Furthermore, the merger of three Sharia banks in Indonesia in 2020 also played a role in defining the specific time frame for this study. The sampling method utilized in this study was purposive sampling, utilizing panel data analysis techniques and guided by E-Views 12 software application. The criteria for sample selection in this study encompassed: (1) Sharia banking institutions listed by OJK from 2008 to 2019 and (2) Sharia banking entities that possessed complete annual report data needed for the study period.

3.2. Operational Definition and Measurement of Variables

Social performance pertains to the outcomes that a company achieves as an outcome of its environmental and social considerations (Saridona & Cahyandito, 2015). Social performance represents a social responsibility undertaken by Sharia banking through participation, namely zakat, sadaqah, and qard al-hasan, to enhance the welfare of individuals (Nugraheni, 2018). In conclusion, social performance represents a type of social activity and action by Sharia banks that have been established to fulfill the financial service needs of Muslims in alignment with Islamic principles. The operational definitions and measurements of the variables utilized in this study are detailed in Table I.

3.3. Data Analysis and Hypothesis Testing

This research employs the panel data regression analyze method to test the hypothesis. A model specification test is conducted prior to the regression analysis to select the most suitable regression model. In this study, the model specification test utilizes the Chow Test, Hausman Test, and Lagrange Multiplier Test. Prior to conducting the model specification test, a correlation analysis is initially performed to assess the correlation among the dependent and independent variables. The regression equation utilized in this study is as explained:

$$
\begin{aligned}
SP_{it} = {} & \alpha_{it} + \beta_1 BoSize_{it} + \beta_2 BoGender_{it} \\
& + \beta_3 BoLevelEdu_{it} + \beta_4 BoBackEdu_{it} + \beta_5 BoAge_{it} \\
& + \beta_6 ROA_{it} + \beta_7 DER_{it} + \beta_8 SIZE_{it} \\
& + \beta_9 AGE_{it} + \varepsilon_{it}
\end{aligned}
$$

where
SP – Social performance
α – Constant
β1–β9 – Regression coefficient
BoSize – Number of board members
BoGender – Presence of female Directors
BoLevelEdu – Education level of the board of directors
BoBackEdu – Background Education directors
BoAge – Age of directors
ROA – Return on Asset
DER – Debt Equity Ratio
SIZE – Company size
AGE – Age of the company
ε_{it} – Error

4. Results and Discussion

4.1. Descriptive Statistics

Based on Table II, the social performance (*SP*) exhibits a mean value of 0.461, a max value of 0.771, and a min value of 0.143. For the characteristics of the board of directors, the proxy of the number of board members (*BoSize*) has an average value of 4.321, a max value of 7.000, and a minimum value of 2.000. The proxy for the presence of female directors (*BoGender*) has a mean value of 0.178, a max value of 0.667, and a minimum of 0. Furthermore, the proxy for the level of education of the directors (*BoLevelEdu*) has a mean value of 0.596 with a maximum value of 1.000 and a minimum value of 0. The fourth proxy is the educational background of the directors, with a mean value of 0.672; the maximum and minimum values are 1.000 and 0.200.

TABLE I: Operational Definition and Variable Measurement

Variables	Source	Measurement
Social performance	(Hameed *et al*., 2004; Nugraheni, 2018; Samad & Hassan, 1999)	$\text{Social Performance (SP)} = \frac{\text{Total Score}}{35} 100\%$
Board of directors size	(Dhamotharan *et al*., 2020; Ramadhani & Maresti, 2021)	$\text{Board Size} = \sum \text{Boards of Directors}$
Presence of female directors	(Conyon & He, 2017; Musteen *et al*., 2010; Seierstad *et al*., 2017)	$\text{Presence of female directors} = \frac{\sum \text{Women Directors}}{\sum \text{Members of the Board of Directors}}$
Education level of directors	(He *et al*., 2015; Post *et al*., 2011)	$\text{Educational Levelof the Board of Directors} = \frac{\sum \text{Board Members by Master'sand Ph.D. Degrees}}{\sum \text{Members of the Board of Directors}}$
Educational background of directors	(Beji *et al*., 2021; Katmon *et al*., 2019; Khan *et al*., 2019; Lestari *et al*., 2022)	$\text{Educational Background of the Board of Directors} = \frac{\sum \text{Board Members by an Economic Background, Business and Management}}{\sum \text{Members of the Board of Directors}}$
Age of directors	(Colakoglu *et al*., 2021; Damanik & Dewayanto, 2021; Katmon *et al*., 2019; Khan *et al*., 2019)	$\text{Age of the Board of Directors} = \frac{\sum \text{Board Members Aged} < 50 \text{ Years}}{\sum \text{Members of the Board of Directors}}$
ROA	SE BI 13/30/DPNP/2011 and (Alfitri & Sitohang, 2018)	$\text{ROA} = \frac{\text{Profit Before Tax}}{\text{Total Assets}} \times 100\%$
DER	(Panjaitan, 2018; Sutrisno, 2018)	$\text{DER} = \frac{\text{Total Liabilities}}{\text{Total Equity}} \times 100\%$
SIZE	(Cao *et al*., 2019; Puspitasari *et al*., 2019)	$\text{SIZE} = \text{LogN (Total Assets)}$
AGE	(Ali *et al*., 2020)	AGE = The age of the *company* since its establishment until year of the reseach

TABLE II: Descriptive Statistics

Variables	Mean	Median	Maximum	Minimum	Standard Deviation	Observations
SP	0.461	0.486	0.771	0.143	0.152	134
BoSize	4.321	4.000	7.000	2.000	1.080	134
BoGender	0.178	0.200	0.667	0.000	0.194	134
BoLevelEdu	0.596	0.667	1.000	0.000	0.255	134
BoBackEdu	0.672	0.667	1.000	0.200	0.202	134
BoAge	0.355	0.333	1.000	0.000	0.304	134
ROA	0.016	0.010	0.300	−0.200	0.048	134
DER	1.004	0.720	6.076	0.040	1.103	134
SIZE	9.139	8.950	12.615	6.130	1.257	134
AGE	25.881	23.000	59.000	1.000	16.975	134

Source: Data Processed, 2023.

The control variables in this study include *ROA*, which has a mean of 0.016 with maximum and minimum values of 0.300 and −0.200. *DER* has a mean value of 1.004 with a max value of 6.076 and a min value of 0.040. Furthermore, *SIZE* has a mean value of 9.139 and for a maximum value of 12.615, and a minimum value of 6.130. Finally, the *AGE* control variable has a mean value of 25.88, a max value of 59, and a min value of 1.

4.2. *Regression Analysis*

Based on the Chow Test and Hausman Test, it was decided that the most appropriate and suitable model was the Fixed Impact Model (FEM). The test is continued with the correlation test or correlation analysis to show that the regression model is free from multicollinearity problems, as shown in Table III. Furthermore, the results of the panel data regression analysis are presented in Table IV.

The outcomes of the regression test indicate that the variable representing the number of board members (BoSize) exerts a statistically significant good influence on social performance (SP), as proven by a p-value of 0.011. Hypothesis H1, asserting that the number of board members (BoSize) has a significant influence on social performance, is validated. Conversely, the variable representing the presence of female directors (BoGender) yields a p-value of 0.630, indicating that the presence of female directors does not exert a statistically significant influence on social performance (SP). Hypothesis H2, positing that the presence of female directors (BoGender) goodly affects social performance (SP), is rejected. The characteristics of the board of directors by the proxy of the level of education of the board of directors (BoLevelEdu) obtained a p-value of 0.065, which means that the variable level of education of the board of directors (BoLevelEdu) has no influence on

TABLE III: Correlation Matrix

Variables	SP	BoSize	BoGender	BoLevelEdu	BoBackEdu	BoAge	ROA	DER	SIZE	AGE
SP	1									
	—									
BoSize	0.2878	1								
	0.001	—								
BoGender	−0.1132	−0.3612	1							
	0.193	0	—							
BoLevelEdu	0.1323	0.0491	0.2071	1						
	0.128	0.573	0.016	—						
BoBackEdu	0.3447	−0.0379	−0.0810	0.5374	1					
	0	0.664	0.353	0	—					
BoAge	0.0505	0.1269	0.2945	0.0139	−0.3015	1				
	0.562	0.144	0.001	0.874	0.0004	—				
ROA	−0.0421	0.0482	0.0724	0.0402	0.0150	−0.0116	1			
	0.629	0.5804	0.406	0.645	0.864	0.894	—			
DER	−0.3070	−0.0060	−0.1202	−0.1666	−0.2383	0.0808	−0.1207	1		
	0.0003	0.946	0.167	0.054	0.006	0.354	0.165	—		
SIZE	0.2455	0.5541	−0.4532	0.2072	0.1118	−0.1130	0.0873	0.1924	1	
	0.004	0	0	0.016	0.198	0.194	0.316	0.026	—	
AGE	−0.5601	−0.1730	0.0856	−0.1177	−0.2336	−0.0160	−0.0358	0.2012	−0.3041	1
	0	0.046	0.326	0.176	0.007	0.854	0.681	0.020	0.0004	—

Source: Data Processed, 2023.

TABLE IV: Regression Analysi

Variable	Coefficient	Standard Error	t-Statistic	Probability
BoSize	0.027	0.011	2.574	0.011
BoGender	−0.034	0.070	−0.483	0.630
BoLevelEdu	−0.097	0.052	−1.862	0.065
BoBackEdu	0.145	0.054	2.707	0.008
BoAge	0.063	0.046	1.368	0.174
ROA	−0.047	0.169	−0.280	0.780
DER	−0.018	0.008	−2.122	0.036
SIZE	0.003	0.012	0.235	0.815
AGE	0.009	0.004	2.531	0.013
C	0.043	0.119	0.364	0.717

Source: Data Processed, 2023.

social performance (SP) so that the hypothesis H3 which supports the level of education of the board of directors (BoLevelEdu) has a good influence on social performance is not accepted.

Moreover, the variable representing the educational background of the board of directors (BoBackEdu) yields a p-value of 0.008, indicating a good influence of the board of directors' educational background on social performance (SP). Hypothesis H4, positing that the educational background of directors (BoBackEdu) has a good influence on social performance, is affirmed. The final proxy for the characteristics of the board of directors is the age variable of the board of directors (BoAge), which yields a p-value of 0.174. These findings suggest that the age of board members (BoAge) does not influence social performance (SP). Consequently, hypothesis H5, which posits that the age of board members (BoAge) has a good influence on social performance, is not guided.

In control variables, namely ROA, the p-value is 0.78, meaning that ROA has no influence on social performance (SP), Debt Equity Ratio (DER) has a p-value of 0.036, meaning that DER has a significant influence on social performance (SP), Company Size (SIZE) has a p-value of 0.815, meaning that SIZE has no influence on social performance (SP) and the company age variable (AGE) has a p-value of 0.013, meaning that AGE has a significant influence on social performance (SP).

4.3. Discussion

4.3.1. The Influence of the Number of Directors (BoSize) on Social Performance

The outcomes of testing hypothesis H1 reveal that the number of board members (BoSize) exerts a good influence on social performance (SP) by a coefficient <0.05 at the 1% significance level. In compliance by the stipulations of POJK 33/POJK.04/2014 regarding directors and board of commissioners, which mandates that the board of directors must comprise a min of two members. In addition to the above arrangements, the number of members of the board of directors (BoSize) that is optimal and based on the needs of the company will also greatly contribute to the management of the company, especially those related to social performance (SP). The number of members of the board of directors on social performance (SP) will have a good influence on social performance because they can bring a variety of expertise, skills, professional backgrounds, and knowledge of similar industries that are useful for the decision-making process. Based on stakeholders theory, a large number of board members will be able to fulfill the diversity and involvement of stakeholders' interests in a better way, one of which is through social performance (Zubeltzu Jaka *et al*., 2019). A large number of board members will help companies achieve competitive performance with the help of social activities to fulfill the interests of stakeholders and society (Dhamotharan *et al*., 2020). These outcomes are also guided by study (Ramadhani & Maresti, 2021).

4.3.2. The Influence of Female Directors (BoGender) on Social Performance

The findings by testing hypothesis H2 indicate that the presence of female directors (BoGender) does not have an influence on social performance (SP). The presence of female directors in the company remains relatively low compared to their male counterparts. Additionally, women, when engaged in decision-making roles on the board of directors in acompany, tend to exhibit a lower inclination towards risk compared to men (Lisaime & Sri, 2018). In addition, because this is a Sharia banking company, the foundational principle of Islamic law, which asserts that men are leaders of women (Al-Nisa': 34), serves as a decisive factor in the Islamic commercial banking sector. This is evident in the observation that, on the other hand, Islamic commercial banks (BUS) typically have only one or two female directors among the total of four directors in a Sharia banking company. Studies that support these outcomes are Lisaime and Sri (2018), Maghfiroh and Utomo (2019), and Raharjanti (2019).

4.3.3. The Influence of Directors' Education Level (BoLevelEdu) on Social Performance

The outcomes of testing hypothesis H3 reveal that the level of education of directors (BoLevelEdu) does not influence social performance (SP). Despite the board members having a high level of education, it does not make Sharia banking companies in Indonesia have good social performance (Nomran *et al*., 2018). These indications arise due to other aspects related to the level of education, namely whether the education pursued by members of the board of directors aligns by their roles as company managers. Directors possessing knowledge about social performance are more adept at handling companies in relation to social performance compared to board members with a high level of education but lacking knowledge and insight in the realm of social performance. The mean for this variable is 59.6%, indicating that the levelof education among board members (BolevelEdu) tends to be high. However, this condition does not exert an influence on the social performance of Sharia banking. These outcomes are guided by Saidu (2019), which states that the levelof education is not a factor that really affects the company's performance, and study by Boadi and Osarfo (2019) also supports this.

4.3.4. The Influence of Directors' Educational Background (BoBackEdu) on Social Performance

The outcomes of testing hypothesis H4 show that the educational background of board members (BoBackEdu) has a good influence. These outcomes indicate that educational background is an important factor in determining policies and making decisions on corporate social performance. The mindset of directors with an economic education background has a better understanding of the need for analysis so that they expose more information on company performance (Yeo & Suparman, 2021). It is not a requirement for a member of the board of directors who will enter the business world to have a business education, but if they have business and economic knowledge, it is hoped that they will be better able to handle the business and make decisions that will improve company performance (Kusumastuti & Sastra, 2007). The company's image and management credibility are built by improving the company's social performance, which allows it to increase the value/image of the company to the public and interested parties. Studies that support these outcomes are Beji *et al*. (2021), Yeo and Suparman (2021) and Lestari *et al*. (2022).

4.3.5. The Influence of Board of Directors Age (BoAge) on Social Performance

The outcomes of testing hypothesis H5 indicate that it does not influence the social performance (SP) of Sharia banking in Indonesia. Consequently, hypothesis H5, asserting that the age of board members (BoAge) has a good influence on the social performance (SP) of Sharia banking in Indonesia, is not guided. Based on the test outcomes above, it has no influence because age differences tend to lead to variations in personal values (Sun & Wang, 2010). In general, the mean age of board members over 50 years old tends to be tired and no longer productive compared to board members under 50 years old. This happens because those who are younger tend to be more productive and dare to take risks related to corporate social performance decisions. Nevertheless, among all these factors, senior members of the board of directors possess greater experience, a wealth of knowledge, and prudence in decision-making. This, in turn, is likely to foster and enhance the social performance of the companies. Furthermore, the extensive insight of senior board members renders them more attuned to global issues, particularly those associated with the social performance of Sharia banking. This is based on the study by Sun and Wang (2010), Khan *et al*. (2019) and Colakoglu *et al*. (2021).

5. Conclusions

The objectives of this study are to provide empirical proof regarding the influence of director characteristics on social performance (SP), in particularly of Sharia banking in Indonesia. Through tests conducted using a data sample encompassing 14 Islamic Commercial Banks (BUS) in Indonesia over the observation period of 2008 to 2019, the following conclusions can be drawn: The variable representing the characteristics of the board of directors, utilizing the proxy of the number of board members (BoSize), significantly and goodly influences the social performance (SP) of Sharia banking in Indonesia. These findings indicate that a larger board of directors has a good influence on social performance (SP) by enabling the incorporation of diverse expertise, skills, professional backgrounds, and knowledge by related industries. All these factors can contribute to the overall benefit of the company.

Secondly, the characteristics of the board of directors, as indicated by the presence of female directors (BoGender), do not exert any influence on the social performance (SP) of Sharia banking in Indonesia. It can be concluded that the representation of female directors (BoGender) in a company remains a minority in comparison to male directors. Furthermore, the Islamic principle asserting that men are leaders for women (Al-Nisa': 34) plays a role, leading to the mean Islamic Commercial Bank (BUS) in Indonesia having only one or two female directors among the total number of directors in Sharia banking companies in Indonesia.

The variable representing the characteristics of the board of directors using the proxy of the Executive Board's level of education (BolevelEdu) has no influence on the social performance(SP) of Sharia banking in Indonesia. This indicates that the educational levelof the board of directors (BolevelEdu) is not a significant factor that directly influences the social performance (SP) of Sharia banking. There are other considerations, namely whether the education pursued aligns with the specific requirements of the board members in their roles as company managers. This outcome is based on the study of Nomran *et al*. (2018), Saidu (2019) and Boadi and Osarfo (2019).

Furthermore, the variable characteristics of directors by the proxy of directors' educational background (BoBackEdu) has a significant influence on the social performance (SP) of Sharia banking in Indonesia. This shows that educational background is an important factor in determining and making social performance decisions because education is intellectual capital for directors to be more productive and motivating in improving company performance. Furthermore, by the perspective of educational background, it elucidates that while it is not obligatory for board members entering the realm of business and corporate management to possess an education in economics, business, and management, having knowledge in these fields is expected to enhance the competence and decision-making abilities of board members, ultimately contributing to improved company performance.

In conclusion, the variable representing the characteristics of the board of directors using the proxy of the age of board members (BoAge) does not have a significant influence on the social performance (SP) of Sharia banking in Indonesia. This suggests that board members, by a mean age of over 50 years, tend to possess greater experience and knowledge and tend to prioritize prudence in decision-making, which in turn promotes the development of corporate social performance practices. Board members aged above 50 years possess a broader perspective that enhances their awareness of global issues, which can have implications for the social performance of Sharia banking. This outcome is based on the study of Sun and Wang (2010), Khan *et al*. (2019) and Colakoglu *et al*. (2021).

6. Limitations and Suggestions

This study has some limitations and suggestions for future studies. Firstly, the study's sample is restricted to Islamic Commercial Banks (BUS). It is possible that including Islamic Business Units (UUS) and Islamic Rural Banks (BPRS) could yield diverse and distinct outcomes. In addition to expanding beyond the confines of Islamic Commercial Banks (BUS), incorporating samples for cross-country comparisons of Sharia banking may also be a viable approach to uncover the distinctive mechanisms utilized by directors in overseeing and determining the social performance of Sharia banking in different nations. Hence, the inclusion of additional sample data can be considered as an option for future study.

Secondly, in this study, the proxies used to represent the characteristics of the board of directors are relatively limited. There are various other proxies that can be considered, namely the directors' experience, the duality of directors' positions, the frequency of board matchings, the proportion of independent directors, and others. Future studies are encouraged to incorporate additional proxies when studying board of directors' characteristics to attain more comprehensive outcomes. Lastly, this study exclusively concentrates on a single independent variable that is associated with the social performance of Sharia banking. Nevertheless, there are numerous variables related to social performance, namely intellectual capital (IC), capital adequacy ratio (CAR), financing-to-deposit ratio (FDR), and so forth.

Conflict of Interest

The authors declare that they do not have any conflict of interest.

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