

Islamicity Financial Performance Index On Islamic Banks In Indonesia

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Abstract

This study aims to examine the influence of Islamic social reporting (ISR), Sharia Supervisory Board (DPS), and Islamic financial performance (IFPI) on the return on assets ratio (ROA) in 7 Sharia Commercial Banks in Indonesia. This study uses a descriptive quantitative method with panel data regression analysis, using the StataMP 17 application applied in the perspective of sharia maqashid. The results showed that ISR and DPS did not have a significant effect on ROA or IFPI, nor did ROA on IFPI. These findings are contrary to the principles of sharia maqashid which emphasizes sharia compliance, justice, transparency, and asset protection. The lack of transparency in the disclosure of Islamic social reports to stakeholders and the role of the DPS that has not been optimized are characterized by a small number of members and a limited frequency of meetings are the main factors. Therefore, Islamic banking needs to optimize asset management, strengthen the role of DPS, and increase the openness of social reporting to increase stakeholder trust and produce better and sustainable financial performance.

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Abstract

Penelitian ini bertujuan menguji pengaruh pelaporan sosial Islam (ISR), Dewan Pengawas Syariah (DPS), dan kinerja keuangan Islam (IFPI) terhadap rasio pengembalian aset (ROA) pada 7 Bank Umum Syariah di Indonesia. Penelitian ini menggunakan metode kuantitatif deskriptif dengan analisis regresi data panel, menggunakan aplikasi StataMP 17 diterapkan dalam perspektif maqashid syariah. Hasil penelitian menunjukkan bahwa ISR dan DPS tidak berpengaruh signifikan terhadap ROA maupun IFPI, begitu pula ROA terhadap IFPI. Temuan ini bertentangan dengan prinsip maqashid syariah yang menekankan kepatuhan syariah, keadilan, transparansi, dan perlindungan aset. Kurangnya transparansi dalam pengungkapan laporan sosial Islam kepada pemangku kepentingan serta peran DPS yang belum optimal ditandai dengan jumlah anggota yang sedikit dan frekuensi rapat yang terbatas menjadi faktor utama. Oleh karena itu, perbankan syariah perlu mengoptimalkan pengelolaan aset, memperkuat peran DPS, dan meningkatkan keterbukaan pelaporan sosial untuk meningkatkan kepercayaan pemangku kepentingan serta menghasilkan kinerja keuangan yang lebih baik dan berkelanjutan.

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In recent decades, Indonesia's Islamic banking sector has grown significantly, as evidenced by the rise in the number of Islamic Business Units (UUS) and Islamic Commercial Banks (BUS). (Dinaroe et al., 2019). This growth reflects the increasing public interest in sharia-based financial services that not only pursue profits, but also prioritize the values of justice, transparency, and sustainability. In the midst of these rapid developments, Islamic banking's performance is difficult to assess and cannot be adequately gauged with traditional financial ratios alone. Islamic banking's performance is difficult to assess and cannot be adequately gauged with traditional financial ratios alone, because Islamic banks carry out a broader social and spiritual mission (Dinaroe et al., 2019).

The Islamicity Financial Performance Index (IFPI) was created as an effort to assess the performance of Islamic banks more accurately. IFPI not only assesses profitability aspects, but also includes sharia indicators such as Profit Sharing Ratio (PSR), Equitable Distribution Ratio (EDR), and Director-Employee Welfare Ratio (DER), thus reflecting the bank's operational compliance with Islamic principles. On the other hand, the disclosure of social responsibility through Islamic Social Reporting (ISR) plays an important role in demonstrating the transparency and social accountability of Islamic banks. ISR is also a reference in assessing how far Islamic financial institutions carry out fair, ethical, and beneficial business practices (Hadinata, 2019). To ensure the consistent application of sharia principles, the

existence of the Sharia Supervisory Board (DPS) is very crucial. DPS is responsible for making sure that all bank operations, reporting, and products adhere to sharia fatwas and laws. The role of DPS, both in terms of expertise, frequency of supervision, and number of members, is believed to also affect the quality of ISR disclosure and IFPI's achievements (Azizah & NR, 2020).

The measurement of net profit generated by a business using its assets can be used by investors to assess the success of the company. Because ROA indicates how well a corporation manages its assets, a high ROA always signifies high value. Greater business expansion and higher revenues are the result of efficient asset management. The level of asset ownership of Islamic banks and their ability to generate profits from these holdings can be measured using ROA (Amini Wirman, 2021) (Susandra Rohmandika et al., 2023). In order to improve the quality of governance and Islamic financial performance oriented towards Islamic values, this study was carried out to analyze the impact of Islamic Social Reporting and the Sharia Supervisory Board on the Islamicity Financial Performance Index through Return on Assets at Islamic banks in Indonesia.

METHOD

This study uses a descriptive quantitative approach with panel data regression analysis to test the influence of Islamic Social Reporting (ISR) and Sharia Supervisory Board (DPS) on the Islamicity Financial Performance Index (IFPI) in Sharia Commercial Banks in Indonesia. Secondary data is taken from

the annual reports of Islamic banks in Indonesia, Bank Muamalat Indonesia, Bank Syariah Indonesia, Bank Bukopin Syariah, Bank Victoria Syariah, Bank Mega Syariah, Bank Panin Dubai Syariah, and Bank Aceh Syariah, in the 2021–2024 period. The selection of samples was carried out by purposive sampling, with the criterion that each bank must issue a complete annual report containing ISR information, DPS characteristics, and relevant financial data, such as Bank Muamalat Indonesia (BMI) www.bankmuamalat.co.id, Bank Syariah Indonesia (BSI) ir.bankbsi.co.id, and Bank Bukopin Syariah (BBKP) <http://www.kbbanksyariah.co.id>, etc.

The ISR variable was measured consisting of 12 sub-items in 3 themes (Economic Aspect, Environmental Aspect, and Social Aspect). Each sub-item is scored "1" if disclosed in the annual report and "0" if it is not, then summed up as a percentage and categorized into four informative levels ($\leq 50\%$ = not informative; 51–65% = less informative; 66–80% = informative; 81–100% = very informative). The DPS variables are constructed through four quantitative indicators: board size (DPSSize), proportion of members educated in sharia and finance (DPSEdu), proportion of members with foreign degrees (DPSForeign), and frequency of annual meetings attended (DPSBusy).

The dependent variable, IFPI, is calculated using four main ratios according to Hameed et al. (2004): Profit Sharing Ratio (PSR), Zakat Performance Ratio (ZPR), Equitable Distribution Ratio (EDR), and Director–Employees Welfare Ratio. These four ratios reflect a

combination of financial performance and sharia compliance, providing a comprehensive picture of the performance of Islamic banks.

Data analysis was carried out with the StataMP 17 Application, starting from the selection of the best model (Common Effect, Fixed Effect, or Random Effect) through the Chow test, Hausman test, and Lagrange Multiplier test. Before testing the hypothesis, a multicollinearity test and a heteroscedasticity test were also carried out to ensure that there was no high correlation between independent variables and to ensure that the data was valid. Hypothesis testing includes F test (simultaneous) and T test (partial), as well as determination coefficient (R^2) evaluation to assess the proportion of IFPI variation that can be explained by ISR and DPS through ROA. It is anticipated that the analysis's findings will present a compelling empirical picture of how social disclosure and the Sharia Supervisory Board affect Indonesia's Islamic banks' financial performance.

LITERATURE REVIEW

Grand Theory

Ibn 'Ashur and Ash-Syatibi define maqashid as the wisdom or intention behind the creation or abolition of Islamic sharia. In Islam, sharia encompasses all the laws revealed by Allah to the Prophet Muhammad (PBUH). Indeed, the hidden purposes that Allah desires for His followers are the reason for the creation of sharia. Safeguarding religion (hifdzu din), safeguarding the soul (hifdzu nafs), safeguarding the intellect (hifdzu aql), safeguarding property (hifdzu mal), and safeguarding one's offspring (hifdzu

nasab) are some of the at least five categories of wisdom found in sharia (Kholik & Muzakki, 2021).

Al-Syatibi theory is applied in Islamic banking in the following ways (Nst & Nurhayati, 2022) :

1. Religious Protection, by using the Qur'an, hadith, and other Islamic laws as guidelines in the implementation of all financial systems and products, this will be realised. The validity of banking that aligns with Islamic values and principles is ensured by the existence of the Sharia Supervisory Board and the National Sharia Council. These institutions are becoming increasingly robust and inspiring trust among both Muslims and non-Muslims.
2. Psychological protection, the execution of every transaction in an Islamic bank creates psychological protection. From a social and psychological point of view, the contracts implemented by the parties teach people to respect and trust each other. This is also manifested through the interaction between banks and their users, who are encouraged to show a polite attitude, dress, and communication style in accordance with Islamic law when dealing with customers (Rizki, 2017).
3. The protection of common sense, by requiring financial institutions to constantly disclose all information about their product systems and not to hide any information, this principle for customers and banking institutions will be realised. Here, it is clear that customers are helped to understand the bank's policies when making

transactions, and the bank does not act unfairly. The bank also contributes to educating its customers about the various products it offers.

4. Asset protection, which is used in every product developed by the bank to efficiently and appropriately manage and place customer funds while still allowing for reasonable profit-taking. This can also be seen in the way the zakat system is implemented, which seeks to simultaneously and transparently increase customer assets.
5. Derivative protection is achieved by adhering to the four elements mentioned above, ensuring that customer funds are halal and beneficial to their families, relatives, and other parties by allowing them to support themselves with savings funds (Zaki & Bayu, 2015).

Islamic Social Reporting

Definition of Islamic Social Reporting

Islamic Social Reporting (ISR) is a reporting standard that assesses a company's performance based on sharia principles, with the main goal of providing accountability to Allah SWT and society and increasing transparency in business activities. The SRI not only serves as an indicator of corporate social responsibility, but it also reflects Muslim stakeholders' expectations of the company's role in the economy and aspects of social justice. By actively reporting on its social performance, the business can satisfy the spiritual needs of Muslim decision-makers while preserving its reputation in the public eye and possibly enhancing its financial performance.

Islamic Social Reporting Indicators

The ISR index includes various disclosure items that serve as indicators in the social performance reporting of Islamic business institutions. There are 3 aspects of disclosure in the ISR Index, namely Economic Aspects, Environmental Aspects, and Social Aspects (Aulia, 2023).

a. Economic Aspects

Achieving profits and maintaining business continuity is the main goal in establishing a company. In CSR, the company's commitment to encouraging economic growth is supported by consideration of corporate social responsibility and a focus on the balance between social, economic, and environmental factors. In order for investors and employees to be financially profitable, the business must be well managed. However, businesses also have an obligation to customers to ensure that the goods and services offered meet legal requirements.

b. Environmental Aspects

A company's responsibility to address the environmental impacts of its production and activities, including the reduction of waste and pollutants, is known as the socially responsible aspect of the environment.

Companies cannot operate independently of the environment, either because the environment is a source of raw materials or because the environment is an object that is affected by the company's economic activities. In this case, the company has a responsibility to protect the environment by implementing

initiatives that are directly related to the problems faced by the surrounding community.

c. Social Aspects

The social component of a company is tasked with maintaining social ethics and legal order, in addition to generating and maintaining profits.

It is the responsibility of a company to improve and take care of the affairs of its employees, as well as contribute to the achievement of community welfare, known as the social dimension. Their productivity should increase, their technical skills should develop, and they should have job and professional security, in addition to social security and health benefits.

Sharia Supervisory Board

Definition of Sharia Supervisory Board

The Sharia Supervisory Board, or in Indonesian the Sharia Supervisory Board (DPS), is an independent institution tasked with supervising and ensuring that Islamic financial institutions comply with Islamic sharia principles. Consisting of fiqh experts and professionals in the field of Islamic banking, DPS plays a very important role in providing direction, reviewing, and supervising the activities of these financial institutions.

Sharia Supervisory Board Indicators

The educational background of the Sharia Supervisory Board (DPS) in the field of Islamic finance and banking (DPSEdu), its status as a foreign scholar (DPSForeign), and its level of busyness (DPSBusy) are some of the factors that determine the characteristics of the Sharia Supervisory Board (DPS), according to research by Abbad et al. (2019). Furthermore, research by Ekasari and

Hartono (2019) shows that the size or number of members of the Sharia Supervisory Board (DPSSize) also affects how well DPS performs (Rizki et al., 2019).

a. DPSSize

The number of members in a company, including the chairman and other members, is referred to as the size of the Sharia Supervisory Board (DPS). The company's annual report contains this figure (Khoirudin, 2013). The supervisory role in ensuring that Islamic banks comply with Islamic laws and values will run well if the DPS is large and has a significant number of members. In addition, it is hoped that these members can help Islamic banks to disclose more information regarding *Islamic Social Reporting* (ISR) (Ramadhani et al., 2016). The number of DPS members can encourage ISR disclosure, which can lead to higher disclosure rates, according to Khoirudin (2013), cited by Ramadhani et al. This means that the more members of the sharia supervisory board, the more *Islamic Social Reporting* (ISR) that can be disclosed (Ramadhani et al., 2016).(Setiawan, 2020)

b. DPSEdu

Sharia Supervisory Board Educated Higher indicates more experienced and leading-edge analytical skills. They can evaluate and decide whether a regulation is in line with sharia principles or not, as well as make effective decisions. Therefore, having a Sharia Supervisory Board with a high level of education can help the

organization function more effectively (Setiawan, 2020).

c. DPSForeign

Members of the Sharia Supervisory Board who are highly educated (S3) are better able to make choices, choose regulations, and assess whether the regulations are consistent with sharia principles or not. As a result, a well-educated Sharia Supervisory Board can improve the effectiveness of the organization. (Khoirunnisa Muti'ah, 2019) (Setiawan, 2020).

d. DPSBusy

DPSBusy refers to the level of activity or frequency of meetings of the Sharia Supervisory Board. This indicator is very important, because the more often DPS holds meetings, the greater their opportunities to discuss current issues and conduct more in-depth scrutiny of the practices of Islamic financial institutions. Research shows that the high frequency of meetings is positively related to the effectiveness of the supervision carried out. These meetings take place at least once a month (Priyanti, 2020).

Return on Asset

Return on Assets (ROA), a financial ratio, gauges how effectively assets are used to produce profits. The bank's net profit is divided by its total assets to determine ROA. Return on Assets (ROA) is one of the primary performance indicators used to evaluate a bank's financial performance. (Herawati et al., 2019). In the context of Islamic banking, ROA calculations take into consideration Islamic principles that forbid *riba* (interest) and promote risk sharing among

related parties. As a result, return on assets (ROA) in Islamic banking encompasses income from financing or investment activities that are based on profit and loss sharing (profit sharing) in addition to interest income. Since Islamic banks do not provide interest-bearing products such as time deposits and interest-bearing loans, their Return on Assets (ROA) is usually lower than that of conventional banks. However, Islamic banking may decide to prioritize social and environmental responsibility and sustainable growth over big profits, so a low ROA does not necessarily mean poor performance (Tiala et al., 2019) (Susandra Rohmandika et al., 2023).

Islamicity Financial Performance Index Definition of Islamicity Financial Performance Index

The Islamic Financial Performance Index (IFPI) is a tool to evaluate the performance of Islamic financial organizations, especially Islamic banking. This index consists of seven ratios, such as the Director-Employee Welfare Ratio, Fair Distribution Ratio, Profit Sharing Ratio, and Zakat Performance Ratio (ZPR). The IFPI is an important metric for assessing how well Islamic banks are performing in achieving more general economic and social objectives because it offers a thorough examination of the operational performance of Islamic banks as well as their role in the equitable distribution of wealth.

Islamicity Financial Performance Index Indicators

a. Profit Sharing Ratio (PSR)

By measuring this profit-sharing ratio, Islamic banks can determine how well they achieve their goals

through the distribution of cash under mudharabah and musharabah contracts. The higher this ratio, especially for MSMEs, the more Islamic banks contribute to the growth of the business sector and acceleration of economic expansion. (Hadinata, 2019).

b. Equitable Distribution Ratio (EDR)

The purpose of sharia accounting is to ensure that resources are distributed fairly to all stakeholders. This indicator aims to monitor the distribution of income Islamic banks among different stakeholders. This is reflected in the amount allocated for charitable donations, staff costs, and so on. The more funds disbursed, the better the performance of Islamic banks. This shows that the company's goal of success and equity to all stakeholders has been achieved (Hadinata, 2019).

c. Director-Employees Welfare Ratio (DER/DEWR)

The purpose of this ratio is to calculate the proportion between the total amount spent on employee welfare and the amount spent on the director's salary. Salary, training, and other benefits are part of employee well-being. The more significant the gap between the director's and employee's salaries, the greater the ratio, suggesting that directors' compensation may be excessive. This can indicate that the company does not give adequate consideration to the welfare of its workers (Hadinata, 2019).

RESULT

Statistics Descriptive

In the descriptive statistics, the minimum, maximum, average, and standard deviation values of the ISR (X1), SSB (X2), ROA (M), and IFPI (Y) variables are presented.

Variable	Obs	Mean	Std. Dev.	Min	Max
ISR	28	0.675325	0.1875219	0.4545	1.00
SSB	28	6.930986	3.728142	2.00	15.4467
ROA	28	0.0464286	0.2664516	-0.713	0.408
IFPI	28	0.9893929	0.784877	0.155	20.271

Source: Data Processing with StataMP 17, 2025

Based on the descriptive statistics in the Table, it can be seen:

1. The mean of the ISR variable is 0.675325. This indicates that the disclosure of seven Islamic commercial banks in Indonesia is informative, with the level of Islamic social report disclosure at Islamic banks in Indonesia being 0.675325 (67.54%). with a standard deviation of 0.1875219, a minimum value of 0.4545 (45.46%), and a maximum value of 1.0000 (100%).
2. The mean of the SSB variable is 6.930986. This indicates that the Supervisory Board's performance quality at Indonesian Islamic banks is 6.930986 (693.099%). with a standard deviation of 3.728142, a minimum value of 2.0000 (200), and a maximum value of 15.4467 (1,544.7%).
3. The average (mean) of the ROA variable is 0.0464286. This indicates that Indonesian Islamic banks' return on assets is 0.0464286 (4.643). The standard deviation is 0.2664516, the

minimum is -0.713, and the maximum is 0.408.

4. The mean of the IFPI variable is 0.9893929. This indicates that Indonesia's seven Islamic banks have a performance of 0.989329 (98.9329%). The standard deviation is 3.784877, the minimum value is 0.155, and the maximum value is 20.271.

Panel Data Regression Test

Next, a panel data regression test was carried out. At this stage, the influence of ISR and SSB on ROA, and the influence of ISR, SSB, and ROA on IFPI will be tested.

ROA	Coefficient
ISR	0.5103137
SSB	0.0144476
Constant	-0.3983353
<hr/>	
IFPI	Coefficient
ISR	-0.1277204
SSB	0.3722459
ROA	-0.3922155
Constant	-1.468175

Source : Data Processing with StataMP 17, 2025

The above panel data regression test results indicate that ROA is positively impacted by ISR and SSB. with respective coefficient values of 0.0144476 and 0.5103137.

ISR, SSB, and ROA are known to negatively impact IFPI, according to the findings of the panel data regression test mentioned above. with respective coefficient values of -0.1277204 and -0.3922155. With a coefficient value of 0.37722459, only SSB has a positive impact on IFPI.

Direct and Indirect Influence Test

ROA	Coefficient
ISR	0.5103137
SSB	0.0144476

Constant	-0.3983353
IFPI	
ISR	-0.1277204
SSB	0.3722459
ROA	-0.3922155
Constant	-1.468175

Source : Data Processing with StataMP
17, 2025

Based on the descriptive statistics in the Table, it can be seen:

1. The direct effect of ISR on ROA is 0.5103137
2. The direct influence of SSB on ROA is 0.0144476
3. The direct influence of ISR on IFPI is -0.1277204
4. The direct influence of SSB on IFPI is 0.3722459
5. The direct influence of ROA on IFPI is -0.3922155

ISR -> ROA - > IFPI	$0.0144476 \times -0.3922155 = -0.0056666$
SSB -> ROA - > IFPI	$0.5103137 \times -0.3922155 = -0.2001529$

Source : Data Processing with StataMP
17, 2025

Based on the descriptive statistics in the Table, it can be seen:

1. The indirect influence of ISR on IFPI via ROA was $0.5103137 \times -0.3922155 = -0.2001529$
2. The indirect influence of SSB on IFPI via ROA is $0.0144476 \times -0.3922155 = -0.0056666$

Best Model Selection

Chow Test

Uji Chow, also known as Likelihood Test Ratio, is a test designed to help decide between a Fixed Effect Model (FEM) and a Common Effect Model (CEM) when modeling panel data. The hypothesis used in the process of

selecting the Fixed Effect Model (FEM) panel data regression model will be the best choice if the chi-square cross section value < 0.05 (H1). On the other hand, the Common Effect Model (CEM) will be selected and the Hausman test is not required if the chi-square cross section value > 0.05 (H0) (Rosinta, 2018) (Winantisan et al., 2024).

Model I

Prob > F = 0.0811

Source : Data Processing with StataMP
17, 2025

The total value, as determined by the results of the Chow test, is 0.0811. The CEM model is chosen when the probability value > 0.05 .

Model II

Prob > F = 0.8986

Source : Data Processing with StataMP
17, 2025

The total value, as determined by the results of the Chow test, is 0.8986. The CEM model is chosen when the probability value is greater than 0.05.

Lagrange Multiplier Test

In panel data analysis, the Lagrange Multiplier test is a technique used to assess which is more appropriate between the Common Effect Model (CEM) and the Random Effect Model (REM). Breusch-Pagan created the Lagrange Multiplier test, which looks at the residual values generated by the Common Effect Model. The Lagrange Multiplier test is based on the Chi-Square distribution with degrees of freedom equal to the number of independent variables. If the LM value exceeds the Chi-Square value (H0), the Common Effect Model is the proper model. On the

other hand, if the LM value is less than the Chi-Square value (H_1), the Random Effect Model is the proper model. (Winantisan et al., 2024).

Model I

Prob > chibar 2 = 0.1593

Source : Data Processing with StataMP
17, 2025

The total value is 0.1593, according to the results of the LM test. The chosen model is CEM if the probability value > 0.05.

Model II

Prob > chibar 2 = 1.0000

Source : Data Processing with StataMP
17, 2025

The total value is 1.0000 according to the results of the LM test. The CEM model is chosen when the probability value > 0.05.

Classic Assumption Test for Selected Models

Multicollinearity Test

The purpose of this test is to determine whether independent variables are correlated with each other. Multicollinearity can be identified by using the Variance Inflation Factor (VIF). A violation of the classical assumption of multicollinearity occurs if the VIF value > 10. However, the use of VIF when the selected model is *Fixed Effect Model* (FEM) or *Random Effect Model* (REM). This violation results in a wider confidence interval for parameter estimation, which in turn increases the standard error of regression coefficients. Consequently, the likelihood of the regression results being misunderstood is high. Multicollinearity problems can also be found using the pair correlation values between independent variables. A

multicollinearity violation is very likely to occur if the correlation value > 0.80. This correlation value is used when the selected model is *Common Effect Model* (CEM) (Silvia, 2023).

Model I

	ISR	SSB
ISR	1.0000	
SSB	0.4093	1.0000

Source : Data Processing with StataMP
17, 2025

The coefficients of X1 and X2 are 0.4093 according to the above table. The multicollinearity test is passed or there is no multicollinearity if the coefficient value is less than 0.85.

Model II

	ISR	SSB	ROA
ISR	1.0000		
SSB	0.4093	1.0000	
ROA	0.4419	0.3491	1.0000

Source : Data Processing with StataMP
17, 2025

The coefficients of X1 and X2 are 0.4093 according to the above table. It can be said that it is free from multicollinearity or passes the multicollinearity test if the coefficient value is less than 0.85.

According to the above table, X1 and M's coefficients are 0.4419. It can be said that it is free from multicollinearity or passes the multicollinearity test if the coefficient value is less than 0.85.

According to the above table, X2 and M have coefficients of 0.3491. It can be said that it is free from multicollinearity or passes the multicollinearity test if the coefficient value is less than 0.85.

Heteroscedasticity Test

The purpose of the heteroscedasticity test is to determine whether the

observations in the regression model have the same variance. The data testing criteria did not show heteroscedasticity if the significance value > 0.05.(Hadinata, 2019)

Generally, heteroscedasticity testing in STATA software uses the Breusch-Pagan test. However, in this study, when using the Breusch-Pagan Test, it did not pass the heteroscedasticity test, or heteroscedasticity symptoms occurred in models I (0.0004 < 0.05) and model II (0.0000 < 0.05). Therefore, researchers tried another test, convinced of the White Test.

Model I

Prob > chi2 = 0.1091

Source : Data Processing with StataMP
17, 2025

The test table above shows that the probability value of 0.1091 > 0.05. Therefore, the heteroscedasticity test is passed, or there is no indication of heteroscedasticity.

Model II

Prob > chi2 = 0.7401

Source : Data Processing with StataMP
17, 2025

The test table above shows that the probability value of 0.7401 > 0.05. Therefore, the heteroscedasticity test is passed, or there is no indication of heteroscedasticity.

Test Panel Data Regression Equation

Model I

ROA	Coefficient
ISR	0,5103137
SSB	0,0144476
Constant	-0,3983353

Source : Data Processing with StataMP
17, 2025

$$ROA = 0.5103137 + 0.0144476 - 0.3983353$$

The explanation is as follows:

1. The constant value is negative, namely -0.3983353. This indicates that the ROA variable (Y) will decrease by 39.83353% if the ISR variable (X1) and SSB variable (X2) are absent.
2. The ISR variable (X1) has a positive beta coefficient value of 0.5103137. Variable ROA (M) will rise by 51.03137% if variable X1 increases by 1% while the values of the other variables stay the same. On the other hand, variable ROA (M) will drop by 51.03137% if variable X1 drops by 1% while the values of the other variables stay the same.
3. The beta coefficient value of the SSB variable (X2) is 0.0144476, which is a positive value. If the value of another variable is constant and the variable X2 increases by 1%, then the variable ROA (M) will increase by 1.44476%. Similarly, if the value of another variable is constant and the variable X2 decreases by 1%, then the variable ROA (M) will decrease by 1.44476%.

Model II

IFPI	
ISR	-0,1277204
SSB	0,3722459
ROA	-0,3922155
Constant	-1,468175

Source : Data Processing with StataMP
17, 2025

$$IFPI = - 0.1277204 + 0.3722459 - 0.3922155 - 1.486175$$

The explanation is as follows:

1. The constant value is negative, namely -1.486175. This indicates that the IFPI variable (Y) will decrease by

148.6175% if there are no ISR (X1), SSB (X2), and ROA (M) variables.

2. The ISR variable (X1) has a negative beta coefficient value of -0.1277204. Variable IFPI (Y) will rise by 12.77204% if variable X1 declines by 1% while the values of the other variables stay the same. In contrast, variable IFPI (Y) will rise by 12.77204% if variable X1 increases by 1% while the values of the other variables stay the same.
3. The SSB variable (X2) has a positive beta coefficient value of 0.3722459. The IFPI variable (Y) will drop by 37.22459% if the X2 variable drops by 1% while the values of the other variables stay the same. On the other hand, the IFPI variable (Y) will rise by 37.22459% if the X2 variable rises by 1% while the values of the other variables stay the same.
4. The ROA (M) variable has a negative beta coefficient value of -0.3922155. The IFPI (Y) variable will rise by 39.22155% if the M variable rises by 1% while the values of the other variables stay the same. On the other hand, the IFPI (Y) variable will rise by 39.22155% if the M variable rises by 1% while the values of the other variables stay the same.

Hypothesis Test

T Test (Partially)

Statistical test T describes the extent to which one independent variable can explain the variation of the dependent variable (Ghozali, 2016:97). The requirements of the T test are as follows (Winantisan et al., 2024) :

- If T calculates < T table and the significance value > 0.05, then H0 is

accepted and Ha is rejected. This indicates that there is no significant relationship between independent and dependent variables.

- If T calculates > T table and the significance value < 0.05, then H0 is rejected and Ha is accepted. This indicates that there is a significant relationship between independent and dependent variables.

ROA	t	P > t
ISR	1.87	0.074
SSB	1.05	0.304
Constant	-2.27	0.032

Source : Data Processing with StataMP 17, 2025

The influence of independent variables on partial mediation variables is as follows:

1. According on the t-test results, the ISR variable (X1) produced a t-value of 1.87 < the table t-value of 2.06 and a sig value of 0.074 > 0.05. Therefore, the alternative hypothesis (Ha) was rejected and the null hypothesis (H0) was accepted, indicating that the ROA variable was not affected by the ISR variable.
2. According on the t-test results, the SSB variable (X2) produced a t-value of 1.05 < the table t-value of 2.06 and a sig value of 0.304 > 0.05. Therefore, the alternative hypothesis (Ha) was rejected and the null hypothesis (H0) was accepted, indicating that the SSB variable had no effect on the ROA variable.

IFPI	t	P > t
ISR	-0.03	0.978
SSB	1.72	0.099
ROA	-0.13	0.900
Constant	-0.50	0.622

Source : Data Processing with StataMP
17, 2025

The following is the partial effect of independent variables and mediating variables on dependent variables:

1. The ISR variable (X1) yielded a t-value of $0.03 < t\text{-table } 2.06$ and a sig. value of $0.978 > 0.05$ according to the t-test result. Consequently, the ISR variable has no effect on IFPI, as H_a is rejected and H_0 is accepted.
2. The SSB variable (X2) yielded a t-value of $1.72 < t\text{-table } 2.06$ and a sig. value of $0.099 > 0.05$ according to the t-test result. Consequently, the SSB variable has no effect on IFPI, as H_a is rejected and H_0 is accepted.
3. The ROA (M) variable's t-test result showed a sig. value of $0.900 > 0.05$ and a t-value of $0.13 < t\text{-table } 2.06$. Consequently, the ROA variable has no effect on IFPI, as H_a is rejected and H_0 is accepted.

F Statistical Test (Simultaneously)

In essence, the statistical test F, also known as the simultaneous significance test, seeks to show whether each independent variable in the regression model has a significant influence on the dependent variable as a whole. The F test is used in this testing process, which compares the calculated F value with the F value of the F distribution table (Winantisan et al., 2024).

This test is performed in some circumstances (Winantisan et al., 2024) :

- If F calculates $< F$ table, then H_0 is accepted, which states that the independent variables have no simultaneous effect on the dependent variables.

- If F calculates $> F$ table, then H_0 is rejected, meaning that the independent variables have a simultaneous effect on the dependent variables.

F(3, 24)	1.16
Prob > F	0.3463
F(2, 25)	3.72
Prob > F	0.0386

Source : Data Processing with StataMP
17, 2025

The sig. value is $0.3463 < 0.05$, the computed F value is $1.16 < \text{the table } F$ value of 3.01. Since the ISR and SSB variables have no bearing on ROA, H_a is accepted and H_0 is rejected.

The sig. value is $0.0386 < 0.05$, and the computed F value is $3.72 > \text{the table } F$ value of 3.01. Consequently, the ISR, SSB, and ROA variables have an impact on IFPI, as evidenced by the rejection of H_a and the acceptance of H_0 .

Coefficient Determination Test

The determination coefficient (R^2) test can be used to evaluate the quality of the regression model estimation. This test assesses how well the independent variables in the regression model explain the variation of dependent variables. $0 \leq R^2 \leq 1$ is the limit. When R^2 is equal to 0, it indicates that the independent variable is not capable of explaining the variant of the dependent variable. On the other hand, if R^2 is worth 1, it means that the model is perfectly matched and all variants in the dependent variable can be explained by independent variables. However, if an independent variable cannot fully explain the variation of the dependent variable, this suggests that there are additional factors beyond the scope of the regression model that also

affect the results (Winantisan et al., 2024).

Adj R-squared	0.0172
Adj R-squared	0.1676

Source : Data Processing with StataMP
17, 2025

The value of the Adjusted R Square is 0.0172, or 1.72%. The coefficient of determination indicates that the ROA variable in Indonesian commercial banks can be explained by the independent variables of ISR and SSB by 1.72%. However, other factors not covered by this research model account for the remaining 98.28% (100-Adjusted R Square value).

The value of the Adjusted R Square is 0.1676, or 16.76%. The IFPI variable in Indonesian commercial banks can be explained by the independent variables of ISR, SSB, and ROA by 16.76%, according to the coefficient of determination. However, other factors not covered by this research model account for the remaining 83.24% (100-Adjusted R Square value).

Sobel Test

Baron and Kenny (in Ghozali, 2011) define an intermediate variable as one that influences the relationship between the independent and dependent variables. One technique developed by Sobel (1982) for testing the mediation hypothesis is the Sobel test. Through an intermediary variable, the Sobel test gauges the degree to which the independent variable (X) influences the dependent variable (Y). (Efendi, 2019).

The coefficient was analyzed by determining whether $M > 1.96$ to determine the relevance of the indirect influence. It can be concluded that

independent variables have an indirect influence on dependent variables if there is a significant influence from independent variables to intermediate variables and significant influence from intermediate variables to dependent variables (Efendi, 2019).

	Z Sobel
ISR -> ROA -> IFPI	-0.08873223
SSB -> ROA -> IFPI	-0.08826083

Source : Sobel Test quantypsy.org, 2025
Online Calculator

Based on the test table above, the sobel value is $-0.08873223 < 1.96$. Therefore, ROA does not mediate the relationship/influence between ISR and IFPI.

Based on the test table above, the sobel value is $-0.08826083 < 1.96$. Therefore, ROA does not mediate the relationship/influence between SSB and IFPI.

DISCUSSION

The Influence of Islamic Social Reporting on Return on Asset

Islamic Social Reporting is not significantly impacted by Return on Asset, according to the test results above. Thus, it can be interpreted that even when Islamic banking social reports are less informative in their disclosure, Islamic banks only generate profits from the assets they own. Therefore, there needs to be more transparency in disclosure, in order to generate greater profits than before.

This is a slight contrast to the principle of maqashid sharia, where the protection of reason is not applied. In order to prevent the damage that dishonesty and secrecy can cause, by requiring financial

institutions to constantly disclose all information about their product systems and not to hide any information, this principle for customers and banking institutions will be realized. And mu'amalat maliyah must be based on openness, honesty, and clarity throughout the entire transaction and all its stages.

This study's findings contradict those of Sofyan Hadinata's (2019) investigation, which concluded that ROA is negatively impacted by the Islamic Social Reporting Index. Operating under the motto "less profit, more sense," which means that they are willing to make little profit but that the social and environmental benefits outweigh the profits, Islamic banking places a high priority on its social responsibility. (Putranto & Kewal, 2014) (Hadinata, 2019).

The Influence of Sharia Supervisory Board on Return on Asset

The Sharia Supervisory Board has no discernible impact on Return on Asset, according to the test results above. Thus, it is possible for the Sharia Supervisory Board to carry out its duties not optimally/efficiently, which in the end the profit obtained from assets is only "modest". Even the findings of several samples in this study showed that the ROA value touched minus.

If traced with sharia maqashid, religious protection is not applied here. This shows that the existence of the Sharia Supervisory Board and the National Sharia Council ensures the legitimacy of banking in accordance with Islamic values and principles, which are increasingly solid and inspire trust for both Muslims and non-Muslims.

The findings of this study contradict those of Husnaini's (2023) study, which

found that the Sharia Supervisory Board has a positive impact on bank performance. This implies that when choosing the Sharia Supervisory Board's members, principals ought to take this into account because it will help the bank run successfully. (Rizki et al., 2019)

The Effect of Return on Asset on Islamicity Financial Performance Index

Return on Asset has no discernible impact on Sharia Supervisory Board, according to the test results above. Thus, profits obtained from assets will not be affected by existing halal transactions or products. Which can result in a decrease in financing to the community, a reduction in zakat funds that will be issued, and the value of dividends will also decrease.

In the view of sharia maqashid, asset protection is arguably still applied. Every product developed by the bank to manage and place customer funds efficiently and appropriately while still enabling reasonable profit-taking.

The findings of this study are consistent with those of Andi Iswandi's research (2022), which concluded that BRI Syari'ah Bank's performance, as measured by Return on Asset, is extremely poor. This conclusion is supported by the previously mentioned analysis, as the Return on Asset calculation results from 2016 to 2018 remain extremely low. Furthermore, it is clear that higher ROA levels will be the outcome of low asset utilization and high net profit margins. Naturally, this is also supported by a high sales volume that reduces a number of incurred business expenses. (Iswandi, 2022).

The Influence of Islamic Social Reporting on the Islamicity Financial Performance Index

Islamic Social Reporting has no discernible impact on Islamicity Financial Performance Index, according to the test results above. Thus, some of the findings in the study, the disclosure is below 50%. This indicates that report disclosure needs to be expanded or more transparency is needed. So that stakeholders get their trust to invest and customers can choose to save and apply for credit at Islamic banks.

In this case, it is contrary to the principle of the protection of reason in the maqashid sharia, which requires financial institutions to continuously disclose all information about their product systems and not to hide any information, this principle for customers and banking institutions will be realized. Here, it is clear that customers are helped to understand the bank's policies when making transactions, and the bank does not act unfairly.

The findings of this study contradict those of Rifa Arifana Dewi's (2020) research, which indicated that a high level of social disclosure increases the likelihood that customers will use bank services. Consumer confidence in Islamic banks has grown as a result of their perceived fulfillment of their social responsibilities through open disclosure and participation in a variety of community service initiatives. (Rifa et al., 2020).

The Influence of Sharia Supervisory Board on the Islamicity Financial Performance Index

The Sharia Supervisory Board has no discernible impact on Islamicity Financial Performance Index, according to the test results above. Thus, again the role of the Sharia Supervisory Board here is very important. Because if the DPS carries out its duties well and efficiently, perhaps the

performance of Islamic finance will also increase.

In the perspective of maqashid sharia, this is contrary to the principle of religious protection. Because of the lack of guarantee of banking wetness in harmony with Islamic values.

The findings of this study are consistent with those of Rifa Arifana Dewi's (2020) research, which discovered that the Sharia Supervisory Board is crucial to the implementation of good corporate governance (GCG) in Islamic banking. The Sharia Supervisory Board's existence and advantageous characteristics will enhance the oversight system of Islamic bank management (Dewayanto, 2010). The Sharia Supervisory Board's advantageous characteristics will therefore improve the oversight of Islamic bank operations.

It is expected that this will encourage Islamic bank management to run their institutions more in line with sharia principles, reducing the likelihood of fraud by Islamic bank management that could impair the institution's performance. This suggests that the Sharia Supervisory Board can raise the Islamic Financial Performance Index. (Rifa et al., 2020).

The Effect of Islamic Social Reporting on the Islamic Financial Performance Index through Return on Asset

Islamic Social Reporting on the Islamicity Financial Performance Index is not mediated by Return on Asset, according to the test results above. Thus, the profits of Islamic banks obtained are very small, and still cannot affect the disclosure of Islamic social reports. This is because their social report disclosures were below half of what was expected, and the results of some samples touched the

minus. Finally, stakeholders think twice before investing in Islamic banks.

In this case, asset protection has not been realized. Because to manage and place customer funds, it must be efficient and appropriate while still allowing for reasonable profit-taking. This can also be seen in the way the zakat system is implemented, which seeks to simultaneously and transparently increase customer assets.

The study's findings contradict those of Achmad Soediro (2024), who discovered that ISR serves as a strategically sound and ethically sound instrument that integrates social and environmental risk management to increase businesses' financial performance. By fully disclosing ISR, businesses can identify and mitigate non-financial risks, cut expenses, and prevent harm to their reputation. These risk management strategies boost ROA stability and business value. Transparent ISR reporting will draw clients and investors, improve public trust in businesses, and eventually boost revenue and profitability. (Soediro et al., 2024).

The Influence of Sharia Supervisory Board on the Islamicity Financial Performance Index through Return on Asset

Sharia Supervisory Board on the Islamicity Financial Performance Index is not mediated by Return on Asset, according to the test results above. Thus, small profits cannot support the performance of DPS in carrying out its duties, so that the role of supervision and other roles will also have an impact on the profit and performance of Islamic finance.

This can lower their confidence in the performance of Islamic finance, because the existence of DPS in Islamic banking is

a big question mark for stakeholders, this also means that it is irrelevant to religious protection in the perspective of sharia maqashid. The existence of the Sharia Supervisory Board and the National Sharia Board must ensure the legitimacy of banking in accordance with Islamic values and principles, which are increasingly solid and inspire trust for both Muslims and non-Muslims.

The findings of this study are consistent with those of Chitra Yuliashri Katili (2025), who discovered that there is a discrepancy between the financial success of Islamic banking operations and the performance of SSBs. According to Satifa and Suprpto (2020), the SSB's oversight of Islamic banks seems to fall short in crucial areas like coordination, monitoring, and reporting. This insufficient oversight has a significant impact on public perception and confidence in Islamic banking services, which in turn affects financial performance (Hikmah & Oktaviana, 2019). Therefore, in order to improve the financial performance of Islamic banking institutions, the role of DPS needs to be strengthened. (Katili et al., 2025).

CONCLUSIONS AND SUGGESTIONS

Based on the above results, *Islamic Social Reporting* (ISR) was not significantly affected by *Return on Assets* (ROA). This shows that the disclosure of Islamic banking social reports has not been able to increase bank profits because there is still a lack of information and transparency. In reality, transparency and honesty in transactions are very important from the point of view of sharia maqashid to avoid disputes and maintain stakeholder trust.

In addition, the Sharia Supervisory Board (SSB) or DPS is not significantly

affected by the Return on Assets (ROA). This shows that the function of the DPS in monitoring sharia compliance is still inadequate and ineffective, so it does not have an impact on increasing bank revenue. The purpose of sharia, however, emphasizes the importance of safeguarding religion (hifz al-din) through strict supervision to ensure the legitimacy and fairness of all sharia financial operations.

The Islamicity Financial Performance Index (IFPI) was not significantly affected by the Return on Assets (ROA), indicating that the bank's asset gains have not been sufficient to drive overall progress in Islamic financial performance. This implies that, in accordance with the principles of Islamic purpose, the management of Islamic financial assets and products still requires optimization to generate greater economic benefits.

In addition, mediation tests showed that ROA was not a significant mediator of the impact of ISR and SSB on IFPI. In other words, asset gains are not enough to improve Islamic financial performance through sharia supervision and social disclosure channels. This condition shows that in order to achieve the goals of maqashid sharia optimally, reforms in financial management, supervision, and transparency are needed.

Overall, the study's findings contradict the principles of sharia maqashid, which emphasizes sharia compliance, fairness, transparency, and asset protection. Therefore, to increase stakeholder trust and produce better and sustainable

financial performance, Islamic banking must optimize asset management, strengthen the role of DPS, and increase the openness of social reporting.

In order to strengthen stakeholder trust and realize the potential for higher profits and financial performance, Islamic banks are advised to improve the quality and transparency of Islamic Social Reporting (ISR) disclosures. In addition, in order for sharia compliance supervision to run more effectively and efficiently and can significantly improve the performance and profitability of banks, the role of the Sharia Supervisory Board (DPS) needs to be expanded through training and capacity building. In addition, to increase Return on Asset (ROA) and improve overall financial success, optimizing asset management and creating cutting-edge Islamic financial products is essential. To continue to achieve the goals of justice, benefit, and blessing, Islamic banking must also incorporate the principles of sharia maqashid into all aspects of reporting and governance. Last but not least, improving the quality of customer service and implementing digital transformation is an important tactic to increase the competitiveness of Islamic banks in the market and maintain customer happiness and loyalty from time to time.

In order to increase public trust and encourage the expansion of Indonesia's Islamic finance sector, these actions will assist Islamic banking in fulfilling its social responsibility and sharia principles while improving financial performance.

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