
The Influence of the Board of Directors and the Sharia Supervisory Board on Zakat Funds in Islamic Commercial Banks in Indonesia

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ABSTRACT

This research purpose to examine the influence of corporate governance on zakat fund distribution by Islamic commercial banks in Indonesia, with a focus on two key governance components: the characteristics of the Board of Directors and the Sharia Supervisory Board. In Islamic banking, the presence of the Board of Directors and the Sharia Supervisory Board plays a crucial role in ensuring that the bank's operations comply with Sharia principles, including the management of zakat funds. This research employs a quantitative research method, using data from the annual reports of Islamic commercial banks in Indonesia from 2016 to 2022. The data was then analyzed using panel data regression with EViews 12. The findings show that the size of the Board of Directors and the size of the DPS do not influence zakat funds, whereas the remuneration of the Board of Directors and the reputation of the DPS have a positive effect on zakat funds. This research adds to the literature on the role of governance in improving the performance of Islamic banks by offering empirical evidence of the connection between governance and the enhancement of zakat. The practical implications is that Islamic banks seeking to boost their social performance, particularly in terms of zakat funds, should focus on building a strong reputation for their Sharia Supervisory Board and increasing the remuneration of the Board of Directors.

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1. INTRODUCTION

Indonesia's economic performance experienced a decline for two consecutive quarters, starting in the first quarter of 2020, as reflected in the economic growth rate of just 2.97% in Q1 2020. More concerning was the significant contraction in the second quarter of 2020, with growth plunging to -5.32% (Badan Pusat Statistik RI, 2021). Additionally, the COVID-19 pandemic exacerbated the situation by increasing poverty levels. As of March 2020, the number of people living in poverty

reached 26.42 million (9.78%), an increase of 0.37% compared to 25.14 million in March 2019 (Badan Pusat Statistik, 2021).

The government, in collaboration with private institutions, has made efforts to achieve positive economic growth. Financial institutions are expected not to focus solely on profit, particularly Islamic banks, which must incorporate social principles into their daily operations (Hamidi & Worthington, 2021). One of the key social activities emphasized in Islamic banking is the collection of zakat funds. Islamic banks are considered strategic institutions for zakat collection due to their extensive network of branches across Indonesia (OJK, 2021).

One of the roles of Islamic banks in fulfilling their social responsibility is the collection and distribution of zakat funds. Islamic banks provide a specific report known as the "Zakat Fund Sources and Uses Report," which details the zakat funds collected and utilized by the bank over a certain period (Hidayati, Muhamad, & Marfuah, 2023). From a regulatory perspective, Law Number 23 of 2011 on the Management of Zakat Funds stipulates that individuals are prohibited from acting as zakat collectors (*amil zakat*), including collecting, distributing, or using zakat funds without authorization from the appropriate authorities. In compliance with this law and to meet their social responsibilities, Islamic banks establish Zakat Collection Units (UPZ), which operate under the coordination of the National Zakat Board (BAZNAS), a foundation responsible for distributing zakat to the community. Additionally, these Zakat Collection Units in Islamic banks can collaborate with national zakat organizations known as *Amil Zakat Institutions* (Hidayati et al., 2023).

According to (Amine, 2018) the concept of corporate governance encompasses how a company is managed and protects the interests of its stakeholders. Corporate governance is a framework that safeguards stakeholder rights by establishing an effective board of directors, adequate internal controls, efficient auditing, and reliable financial reporting and disclosure (Finashih, 2024). Similar to the governance structure of conventional banks, the governance structure of Islamic banks consists of a board of directors and a board of commissioners. However, to ensure that the bank's operations comply with Islamic law, Islamic banks have a Sharia Supervisory Board (DPS), which is not present in conventional banks (Khalil & Boulila Taktak, 2020). The governance structure of Islamic banks enforces strict Sharia compliance, which is closely monitored by the SSB. Therefore, it can be concluded that the key governance structures in Islamic banks are the board of directors, the board of commissioners, and the SSB. This study will focus on two main governance structures: the Board of Directors and the SSB.

The social performance of Islamic banks can be influenced by various factors, with the first being the size of the Board of Directors. Several previous studies have found that the size of the Board of Directors has a significant positive impact on financial performance (Amine, 2018; Darwanto & Chariri, 2019; Hidayati et al., 2023). However, other studies have found that a larger Board of Directors has no impact on a bank's financial performance (Intia & Azizah, 2021; Pradipta, Khairunnisa, Yudistira, & Baradja, 2022; Rahardjo & Wuryani, 2021).

The second factor is the remuneration of the Board of Directors. Previous studies have found that executive remuneration has a significant effect on financial performance (Amine, 2018; Audio & Serly, 2022; Pangestu & Agustia, Selly Rachman, 2019). However, other studies present different results. Research by Kutum, (2015); Sheikh & Kareem, (2015), indicate that CEO remuneration does not impact financial performance.

The third factor is the size of the Sharia Supervisory Board (SSB). In carrying out its functions, the board of directors receives oversight, advice, and recommendations from the SSB. One dimension of the SSB quality is its size. Studies by Amine, (2018); Nomran, Haron, & Hassan, (2020); Nugraheni, (2018) concluded that SSB size positively affects financial performance. However, Nawaz, (2019)

found that SSB size negatively affects performance. To expand on previous research, this study analyzes the impact of SSB size on social performance, measured by zakat funds.

The fourth factor, in addition to DPS size, is the reputation of the DPS, another characteristic that has been widely studied. A good reputation and sufficient knowledge of Islamic law are important considerations when selecting DPS members. Studies by Nomran et al., (2020); Nugraheni, (2018) found that the reputation of the Sharia Supervisory Board (SSB) positively influences performance. Additionally, profitability and bank size are two key factors that impact the allocation of zakat funds in Islamic banks in Indonesia. Banks with higher profitability tend to have a greater capacity to allocate zakat funds, as they possess larger financial surpluses to distribute. The size of the bank, often measured by total assets, also plays a crucial role in zakat spending. Larger banks generally have more resources, enabling them to allocate more significant zakat funds.

Literature Review

Agency Theory

Agency theory explains that an agency relationship occurs when one party or more employs another party to provide services and then delegates decision-making authority to that agent (Jansen & Meckling, 1976). According to this theory, the company is viewed as a nexus of contracts between agents and principals (Jansen & Meckling, 1976). Agency theory aims to explain the challenges that occur when one party, the agent, represents and acts on behalf of another party, the principal. The theory has two aspects: the issues related to performing the "acting for" responsibilities from the agent's perspective, and the challenges of overseeing and directing the agent's actions from the principal's perspective. (Mitnick, 2015). According to Jensen and Meckling's agency theory (1976), principals, or shareholders, can only guarantee that agents, or management, would make the best decisions if they are provided with appropriate incentives and close supervision.

Resource Dependence Theory

Resource Dependence Theory was introduced by Pfeffer and Salancik (1978), stating that the strategy, structure, and sustainability of a company depend on resources to establish relationships with the external environment. Resource Dependence Theory argues that a company's performance is inseparable from the crucial role played by its resources, enabling the company to compete and operate sustainably. According to (Rahmaniar & Ruhadi, 2020), optimizing company resources effectively allows the company to gain competitive advantages, leading to superior performance.

Corporate Governance

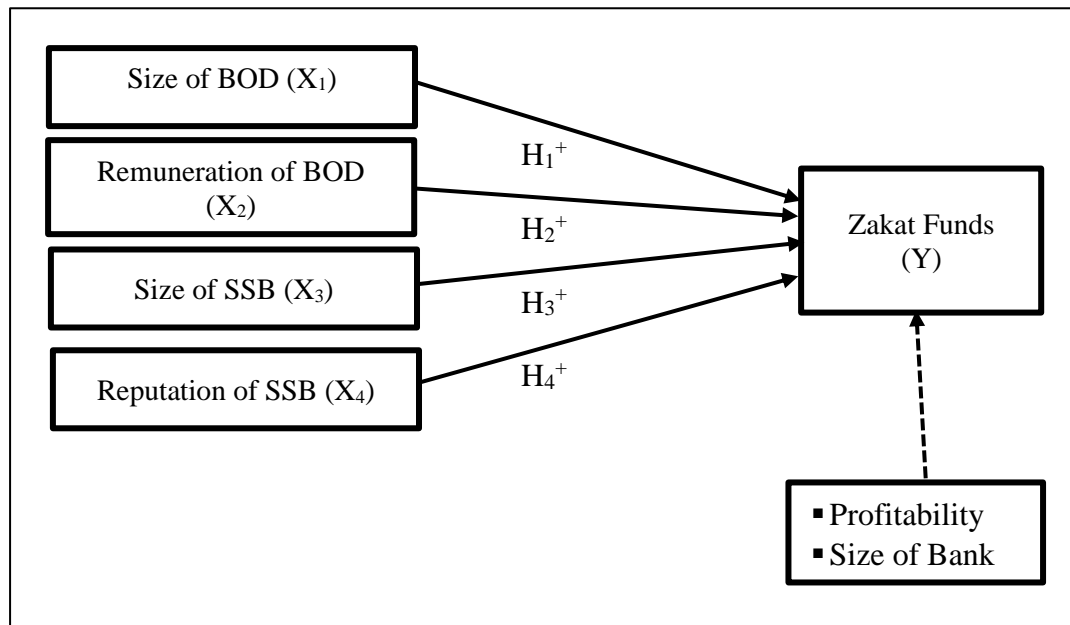
Corporate governance is defined as the process and structure for effectively running a company, taking into consideration the needs of stakeholders. In a narrower sense, corporate governance describes the relationships among shareholders, the board of directors, and the board of commissioners to achieve corporate goals (Ramadhani, Saputra, & Wahyuni, 2022). Governance in Islamic banking differs from conventional banks. The governance structure of Islamic banks is designed to comply with Sharia principles and is directly supervised and adheres to a dual governance system monitored by the Sharia Supervisory Board and the Board of Directors (Khalil & Boulila Taktak, 2020)

Performance of Islamic Banks

The performance of Islamic banks encompasses both financial and social aspects. According to Nomran & Haron, (2022), zakat is used as an indicator to evaluate the performance of Islamic banks

because it effectively reflects the bank's profitability. The higher the profits of an Islamic bank, the greater the amount of zakat it needs to pay. Consequently, zakat acts as a measure of both financial and social performance, making it a reliable indicator of the health of Islamic banks (Hudayati et al., 2023).

Hypotheses Development



Picture 1. Conceptual Framework

The figure above represents the conceptual framework used in this study, which includes four independent variables: the size of the Board of Directors, the remuneration of the Board of Directors, the size of the SSB, and the reputation of the SSB. These variables are hypothesized to influence the dependent variable, which is zakat funds.

The Influence of Size of Board of Directors on Zakat Funds

The influence of the Board of Directors' size on zakat funds can be explained through Agency Theory (Eisenhardt, 1989; Jansen & Meckling, 1976). Agency Theory views a company as a nexus of contracts between agents and principals. This theory encourages agents to act in the best interest of principals through monitoring systems and contract designs (Jansen & Meckling, 1976). In the context of the relationship between the Board of Directors' size and zakat funds, the size of the Board serves as a system for monitoring agent behavior. Since the goal of Islamic banks is not only to achieve financial objectives but also social objectives, increasing the size of the Board of Directors can help Islamic banks achieve social goals by increasing zakat funds. Research by Ben Abdallah & Bahloul, (2021); Darwanto & Chariri, (2019); Hudayati et al., (2023) shows that the size of the Board of Directors positively affects financial performance. Therefore, this study predicts that the size of the Board of Directors also positively influences the increase in zakat funds.

H1: Board of Directors' size has a positive effect on zakat funds.

The Influence of Remuneration of Directors Size on Zakat Funds

Agency theory analyzes contract design to motivate agents to act on behalf of principals when there is a conflict of interest between them. This theory asserts that principals can ensure optimal decision-making by agents only if agents are provided with incentives. These incentives may include stock options, bonuses, or other forms of financial incentives. Lee and Isa (2015) state that Agency Theory promotes compensating executives based on their performance, a concept known as the executive remuneration mechanism. Executive remuneration aims to encourage agents to achieve corporate goals, including social performance, by increasing zakat funds. Numerous empirical investigations have revealed a positive relationship between executive salary and social performance. According to Haque & Ntim (2020), executive salary has a favorable impact on social performance. Higher CEO compensation has the potential to inspire management to take more action to solve climate and environmental challenges, according to Kartadjudena & Rodgers (2019). According to Fany & Iryanto (2024), compensation has a major beneficial impact on zakat funds.

H2: Remuneration of Director has a positive effect on zakat funds.

The Influence of Size of Sharia Supervisory Board on Zakat Funds

The influence of the Sharia Supervisory Board (SSB) on zakat funds can be explained by Agency Theory. Agency Theory states that the SSB monitors various aspects of management behavior, including religious, moral, and ethical elements (Almutairi & Quttainah, 2020). Additionally, the SSB oversees and approves product, service, and banking transactions. All bank operations are conducted in accordance with Sharia principles by the SSB. The SSB also assists managers in organizing resources. Thus, a larger Sharia Supervisory Board (SSB) is viewed as more capable, helping Islamic banks attain both social and financial success while directing more resources toward increasing zakat funds. Previous research has found that SSB size positively affects the financial performance of Islamic banks (Amelinda & Rachmawati, 2021; Amine, 2018; Darwanto & Chariri, 2019; Nomran et al., 2020). .Hudayati et al., (2023); Nugraheni, (2018) found that SSB size positively influences social performance.

H3: Sharia Supervisory Board (SSB) size has a positive effect on zakat funds.

The Influence of Reputation of Sharia Supervisory Board on Zakat Funds

Referring to Resource Dependence Theory, the Sharia Supervisory Board (SSB) is considered the most vital resource for Islamic banks, as it has the potential to enhance both financial and social performance. A strong reputation of the SSB is a significant advantage for Islamic banks. The SSB is responsible for ensuring that the bank's operations and products comply with Sharia principles. When the SSB performs well, the bank tends to attract more customers and depositors, thus improving its overall performance, including better social outcomes through increased zakat funds. (Nomran et al., 2020) found that the reputation of the SSB positively influences the financial performance of Islamic banks. While (Nugraheni, 2018) found that the reputation of the SSB positively affects social performance. Based on the arguments of Resource Dependence Theory and empirical studies, this study predicts that the reputation of the SSB can improve social performance, particularly in the form of zakat funds. Therefore, the fourth hypothesis developed is as follows:

H4: Sharia Supervisory Board (SSB) reputation has a positive effect on zakat funds.

2. METHOD

Research Design

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This study employs a quantitative research method. Quantitative research is a method used to examine a specific population or sample, where data collection is carried out using research instruments, and the data analysis is quantitative or statistical in nature. The aim is to test preformulated hypotheses, with a focus on objective measurement and numerical data (Sugiyono, 2014).

Sample Selection and Data Sources

The population in this study consists of Sharia Commercial Banks listed with the Financial Services Authority (OJK) from 2016 to 2022, totaling 15 banks. The sampling technique used in this study is purposive sampling. The criteria for sample selection in this study are as follows:

1. Sharia Commercial Banks listed with the Financial Services Authority (OJK).
2. Sharia Commercial Banks that publish annual financial reports, including Good Corporate Governance reports, from 2016 to 2022.
3. Sharia Commercial Banks that consistently collect zakat funds from 2016 to 2022.

The sample used in this study consists of 9 Sharia Commercial Banks from 2016 to 2022, resulting in 52 data observations.

Instrumentation/Data Collection

In this research, the data collection method is documentation. The data sources are secondary, originating from the annual reports of Sharia banks listed with the Financial Services Authority (OJK) from 2016 to 2022. These reports were accessed through the official websites of each bank.

Data Analysis/Estimating Model/Variable Measurement

The dependent variable in this research is zakat funds, while the independent variables are governance, as represented by the Board of Directors and SSB. Characteristics considered include the size and remuneration of the Board of Directors and the size and reputation of the SSB. Profitability and bank size are control variables. The measurement of variables will be explained in Table 1.

Table 1. Variable Measurement

No.	Variable	Operational Definition	Measurement
1.	Dependent Variable: Zakat Funds	Zakat funds in Islamic banking originate from the zakat payments made by the Islamic bank, its employees, and its customers based on the profit-sharing or bonuses they receive from their deposits.. (Hudayati et al., 2023)	<u><i>Distribution</i></u> Collection of zakat funds (Hudayati et al., 2023)
2.	Independent Variable: Size of BOD Remunerasi of BOD Size of SSB	The size of the Board of Directors refers to the total number of directors in a Sharia bank. (Almutairi & Quttainah, 2017) Remuneration is one form of incentive or encouragement given to directors so that they can fulfill their responsibilities in line with shareholders' interests. (Pangestu et al., 2019) The size of the Sharia Supervisory Board (SSB) refers to the total number of	The number of members of the BOD (Almutairi & Quttainah, 2017) Amount of compensation that BOD has been given (Pangestu et al., 2019) Number of SSB members (Nomran et al., 2020)

	individuals (chairperson and members) in the SSB of a bank. (Nomran et al., 2020)	
Reputation of SSB	The reputation of the Sharia Supervisory Board (SSB) refers to members who have experience or positions within the National Sharia Council. (Nugraheni, 2018)	Proportion of each SSB member as National Sharia Council - Indonesian Ulema Council (Nugraheni, 2018)
3 Control Variable:		
Profitability	Profitability is the ability of a company to generate profit. (Mahmudah & Suprihhadi, 2022)	Amount of net profits (Hidayati et al., 2023)
Size of Bank	Bank size refers to the scale measuring the magnitude of a bank, typically using total assets, total sales, or total capital as metrics. (Rahardjo & Wuryani, 2021)	Amount of assets (Finashih, 2024)

The analysis technique used in this study is panel data regression, conducted using EViews 12 software. The panel data regression begins with selecting the estimation method, which includes the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM). To determine the best method from these approaches, several tests are performed, such as the Chow test, Hausman test, and Lagrange Multiplier test. Once the appropriate model is selected, the next steps involve conducting a classical assumption test, estimating the model, and testing the hypotheses. The final stage is drawing conclusions and providing recommendations. The regression equation used in this study is presented below:

$$ZF = \alpha + \beta_1 SZBOD_{it} + \beta_2 REMBOD_{it} + \beta_3 SZSSB_{it} + \beta_4 REPSSB_{it} + \beta_5 PROFIT_{it} + \beta_6 BANKSZ_{it} + e$$

Keterangan:

ZF : Dana Zakat

α : Konstanta

β_1 - β_6 : Koefisien dari Setiap Variabel

$SZBOD_{it}$: Ukuran Direksi

$REMBOD_{it}$: Remunerasi Direksi

$SZSSB_{it}$: Ukuran DPS

$REPSSB_{it}$: Reputasi DPS

$PROFIT_{it}$: Profitabilitas

$BANKSZ_{it}$: Ukuran Bank

e : Error

3. RESULTS AND DISCUSSION

Results

Table 2. Statistic Deskriptif

	ZF	SZBOD	REMBOD	SZSSB	REPSSB	PROFIT	BANKSZ
Mean	0.877350	4.884615	1.67E+10	2.365385	0.586538	2.04E+11	4.23E+13
Median	0.933835	5.000000	1.48E+10	2.000000	0.500000	6.99E+10	2.66E+13

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Max	2.006895	10.00000	6.72E+10	4.000000	1.000000	1.43E+12	3.06E+14
Min	0.252034	3.000000	2.95E+09	2.000000	0.250000	7.4016000	1.63E+12
St. Dev	0.295534	1.567486	1.18E+10	0.561121	0.240824	2.99E+11	5.76E+13
Obs	52	52	52	52	52	52	52

(Source: Eviews 12, 2024)

Based on the results of the descriptive statistical analysis, the average zakat funds distributed per year by Islamic banks amounted to 0.877350. The highest amount was distributed by Bank Mega Syariah, totaling 2.006895, while the lowest amount was 0.252034. The average size of the Board of Directors in Islamic banks is 4 members, with the largest being Bank Syariah Indonesia, which has 10 members. The smallest boards, consisting of 3 members each, are found in Bank BCA Syariah, Bank Victoria Syariah, and Bank Mega Syariah.

The average annual director remuneration is Rp 16,703,990,500, with the highest at Bank Syariah Indonesia (Rp 67,156,400,000) and the lowest at Bank Victoria Syariah (Rp 2,949,000,000). Meanwhile, the average number of Sharia Supervisory Board (DPS) members is 2, with the highest at Bank Syariah Indonesia (2 members) and the lowest at Bank Aceh Syariah, BCA Syariah, BRI Syariah, BNI Syariah, and Bank Victoria Syariah (2 members each).

The average reputation score of the Sharia Supervisory Board (DPS) is 0.58, with the highest scores at Bank Muamalat Indonesia, Bank Syariah Mandiri, BNI Syariah, and BSI (average score of 1) and the lowest at Bank Aceh Syariah (average score of 0.33). Additionally, the average net profit is Rp 204,211,279,311, with the highest at Bank Syariah Mandiri (Rp 1,434,488,000) and the lowest at BRI Syariah (Rp 76,016,000). Lastly, the average bank asset value is Rp 42,319,373,990,466, with the highest at BSI (Rp 305,727,438,000,000) and the lowest at Bank Victoria Syariah (Rp 1,625,183,249,000).

Model Selection Analysis

Next, model selection was conducted using Chow test, Hausman test, and Lagrange Multiplier (LM) test to determine the best model for analyzing whether it is the Common Effects Model (CEM), Fixed Effects Model (FEM), or Random Effects Model (REM).

Table 3. Uji Chow

Effects Test	Statistic	d.f.	Prob.
Cross-section F	1.873849	(8,37)	0.0941
Cross-section Chi-square	17.687733	8	0.0237

The results of the Chow test showed probability value of $0.0237 < 0.05$, thus selecting the Fixed Effects Model (FEM).

Table 4. Uji Hausman

Test Summary	Chi-Sq. Statistic	Chi-Sq.d.f.	Prob.
Cross-section random	6.407019	6	0.3792

The Hausman test results show a probability value of $0.3792 > 0.05$, thus selecting the Random Effects Model (REM). Since the results did not find consistency in methods, the next step is

to proceed with the Lagrange Multiplier test to determine whether to continue with random effects or switch to common effects.

Table 5. Uji Lagrange Multiplier

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	1.137229 (0.2862)	0.291279 (0.5894)	1.428507 (0.2320)

The Lagrange Multiplier test results show a probability value of Breusch-Pagan (BP) under the Cross section sub at $0.2862 > 0.05$, thus selecting the Common Effects Model (CEM).

Classical Assumption Test

The normality test results show a Jarque Bera value of 4.500225 with a probability of $0.105387 > 0.05$, indicating that the normality assumption is fulfilled. In the multicollinearity test, all variables have VIF values less than 10, indicating no multicollinearity issues. Furthermore, the Heteroskedasticity test shows no problems as the probability value is $0.0706 > 0.05$, thus concluding that there is no heteroskedasticity issue. Since the classical assumption tests have been met, it is appropriate to proceed with multiple linear regression analysis.

Table 6. Results of Multiple Linear Regression Analysis

Variabel	Koefisien	Std. Error	t-Statistic	Prob.	Conclusion
C	1.399545	0.806323	1.735713	0.0895	
SZBOD	0.007313	0.026620	0.274719	0.7848	Rejected
REMBOD	9.12E-12	3.46E-12	2.640252	0.0113	Accepted
SZSSB	-0.135163	0.062094	-2.176742	0.0348	Rejected
REPSSB	0.275331	0.122601	2.245754	0.0297	Accepted
PROFIT	-0.014801	0.010192	-1.452268	0.1534	
BANKSZ	-0.010885	0.029187	-0.372948	0.7109	
Adjusted R-squared	0.203357				Capable of explaining 20,33%
Prob (F-statistic)	0.011143				Simultaneously influential

(Source: Eviews 12, 2024)

Discussion

The Influence of Board of Directors Size on Zakat Funds

The T-test results for the variable Board of Directors size show a coefficient value of 0.007313 and a probability of 0.7848, which is greater than 0.05. This indicates that the size of the Board of Directors does not significantly affect zakat funds. Therefore, it can be concluded that H1 is rejected, meaning that an increase in the number of board members does not impact the bank's social performance, as measured by zakat funds. This occurs because a larger board size does not necessarily translate into better governance or more effective decision-making. If the board members lack sufficient expertise in zakat management or there is poor coordination among them, the board's ability to manage zakat funds efficiently may be hindered. These findings contradict agency theory, which discusses the relationship between the principal (shareholders) and the agent (management), where the

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latter is expected to act in the best interest of the former. The agency conflict between management and shareholders arises when management's decisions do not align with shareholders' expectations. This study aligns with the findings of (Intia & Azizah, 2021). These results are consistent with the studies of Intia & Azizah (2021), Rahardjo & Wuryani (2021) which explain that board size does not influence zakat funds.

The Influence of Remuneration of Directors on Zakat Funds

The results of the T-test for the board of directors' remuneration variable show a coefficient value of 9.12E-12 and a probability of $0.0113 < 0.05$, indicating that board of directors' remuneration has a significant positive effect on zakat funds. Therefore, it can be concluded that H2 is accepted. According to Agency Theory, remuneration can motivate directors to implement prudent principles and effective risk management. These results indicate that an increase in board of directors' remuneration in Islamic banking positively impacts zakat funds. This research aligns with agency theory, which explains that remuneration serves as an incentive for directors to enhance performance. The theory also states that high compensation contracts and payments to directors can reduce agency costs, thereby improving bank performance, including its social performance. Higher remuneration motivates directors and enhances banking performance. These findings are consistent with the studies of Audio & Serly (2022), Hidayati et al. (2023), which explain that director remuneration positively influences zakat funds.

The Influence of Size of Sharia Supervisory Board on Zakat Funds

The T-test results for the Sharia Supervisory Board (SSB) size variable demonstrate a coefficient of -0.135163 with a probability of 0.0348 (< 0.05), indicating a significant negative impact on zakat funds. Consequently, H3 is rejected. This research reveals that increasing the number of SSB members negatively affects the social performance of Islamic banks. A larger SSB size can hinder the effectiveness of Sharia supervision, including in zakat distribution. The findings highlight that an overly large SSB may reduce the efficiency of decision-making, slowing down the process and negatively affecting zakat management. This suggests that optimizing SSB size is essential for effective supervision without sacrificing efficiency in zakat distribution programs. The study supports similar findings by (Nawaz, 2019), Syafii Antonio (2019), both of whom found that a larger SSB size negatively influences zakat fund allocation.

The Influence of Reputation of Sharia Supervisory Board Funds

The T-test results for the SSB reputation variable show a coefficient value of 0.275331 and a probability of 0.0297, which is less than 0.05. This indicates that SSB reputation has a significant positive impact on zakat funds. Therefore, H3 is accepted, meaning that a higher reputation of the SSB positively influences the social performance of Islamic banks, as measured by zakat funds. This is because the SSB plays a crucial role in ensuring Sharia compliance in zakat management, which enhances public trust in zakat institutions. This finding aligns with the studies of Nomran et al. (2020), Nugraheni (2018), who found that DPS reputation positively affects the performance of Islamic banks. Additionally, SSB members' involvement in the National Sharia Board of the Indonesian Ulama Council (DSN-MUI) can enhance SSB effectiveness in addressing the social contributions of Islamic banks. According to Agency Theory, SBS members with good reputations have the ability to improve both financial and social performance.

4. CONCLUSION

Based on the results of the panel data regression analysis, Board of Directors size and SSB size do not significantly influence zakat funds, while Board of Directors remuneration and SSB reputation have a significant positive effect on zakat funds. Therefore, the reputation of the SSB within the governance structure of Islamic banks is an important factor that requires attention. Additionally, the finding that Directors' remuneration positively affects zakat funds highlights the effectiveness of remuneration practices. Although remuneration incurs additional costs for Islamic banks, these costs are justified as they lead to improved social performance. This study has some limitations, notably that the sample only includes Islamic Commercial Banks, and the governance characteristics analyzed are limited to the Board of Directors and the Sharia Supervisory Board. Future research is recommended to expand the sample and explore other variables, such as the Board of Commissioners, Independent Commissioners, and the Audit Committee.

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