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Characteristics of the Sharia Supervisory Board, Board of Commissioners and Board of Directors on the Profitability of Islamic Banking in Indonesia

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This research aims to analyze the influence of board characteristics on the profitability of Islamic banking in Indonesia as measured using Return On Assets (ROA). The independent variables, namely the characteristics of the sharia supervisory board, board of commissioners and board of directors are associated with board size, board educational background and board tenure with firm size as a control variable, while the dependent variable is the profitability of sharia banks. This research uses a quantitative approach with descriptive methods and panel data regression analysis. Based on research results, the size of the sharia supervisory board, board of commissioners and board of directors has no effect on the profitability of sharia banking. The educational background of the sharia supervisory board and board of commissioners has no effect on the profitability of sharia banking, while the educational background of the board of directors has a positive and significant influence on the profitability of sharia banking. The term of office of the sharia supervisory board, board of commissioners and board of directors has no effect on the profitability of sharia banking.

Keywords: Sharia Supervisory Board; Profitability; Shariah Bank

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INTRODUCTION

Indonesia's Islamic economy now ranks fourth globally, having increased from ninth in 2014 (Sutrisno, 2022). The market share of Islamic banking in Indonesia has increased to 7.3 percent of the total national banking industry. This growth is supported by 13 Islamic commercial banks, 20 Islamic business units, and 171 Islamic people's economic banks (BPR), with asset distribution reaching 65.7 percent for Islamic commercial banks, 31.7 percent for Islamic business units, and 2.5 percent for Islamic BPR (OJK, 2023). In the industrial sector, Indonesia is ranked second as the country with the largest number of Islamic commercial banks in the world, following Malaysia. The difference is that Islamic banks in Indonesia are bolder in operating transparently by listing their shares on the stock exchange, while in Malaysia, only a few Islamic banks have listed their shares (Gunawan, 2021).

Currently, Islamic banks are experiencing a challenging period. In a climate of intense competition in the Indonesian banking sector, Islamic banks must overcome various obstacles to maintain their position and prevent potential failure. The unfavorable global economic situation also has an indirect impact on the banking industry, including Islamic banks. As business entities, banks are faced with pressure to maximize profitability from funds managed from customers. This relates to the profit sharing that banks must provide to customers in return for their trust in storing funds at the bank (Sari, 2020).

According to the latest report on Indonesia's Sharia Financial Development issued by the Financial Services Authority (OJK), there is a growth of 15.63 percent on a *year-on-year (yoy)* basis by 2022 in terms of Islamic bank assets. Both Islamic commercial banks (BUS), Islamic business units (UUS), and Islamic people's economic banks (BPRS) all recorded positive growth at the end of last year. OJK also noted that over the past four years, the growth of Islamic banking assets has been maintained at the double digit level. This achievement has increased the market share of Islamic banks in the banking industry as a whole to 7.09 percent in 2022 (Burhan, 2023).

The banking sector plays a crucial role in a country's economy. Its function as an intermediary between parties who have excess funds and parties who need funds, making banking one of the main financial institutions. To maintain public trust, banks must maintain their performance stability carefully (Akramunnas & Kara, 2019). The role of banks in the community's economy is very significant in organizing the management of public funds. Apart from functioning as a source of funds, banks also act as a depository for individuals with excess funds. The main foundation in the collection and distribution of public funds occupied by banks is trust. The trust of the community is the main key because the smooth operation of the bank depends on the level of trust. Therefore, to maintain public trust and payment system stability, banks must periodically evaluate their operational health (Ardiyanti et al., 2023).

The governance structure in Islamic banks involves four main elements, namely the General Meeting of Shareholders (GMS), Sharia Supervisory Board (DPS), board of commissioners, and board of directors. Each of these organs has a role that is in accordance with its functions, duties, and responsibilities in implementing GCG (Pranata & Laela, 2020). The main role of the sharia supervisory board is to supervise and ensure that the operations of Islamic banks run in accordance with sharia principles (Intia & Azizah, 2021). The board of commissioners plays a key role in corporate governance with the function of overseeing the implementation of risk management. The goal is to ensure that the company has an effective risk management program (Wulandari, 2006). The board of directors is the main leadership that has the authority and responsibility in managing the company. They are responsible for setting strategic direction, formulating operational policies, and ensuring the health of the company's management (Aprianingsih, 2016). According to Dewayanto (2010) the more the number of board members, the more effective the monitoring process of company management will be.

Board characteristics that are important in determining an organization's organizational performance include its expertise, especially in economics and finance, including accounting (for audit committees). Improving the effectiveness of supervision and advising the board of directors can be achieved if the board of commissioners has expertise in economics and finance. Likewise, members of the sharia supervisory board who are experts in the field of fiqh muamalah and Islamic economics and finance are also very helpful for Islamic banks to achieve sharia compliance that has been determined (Mahmudi & Nurhayati, 2014).

Vafeas & Theodorou (2003) state that a longer tenure duration for the board indicates a higher level of experience, competence, and commitment to achieving superior company performance. In 2013, a study using a

sample of 75 companies listed on the Indonesia Stock Exchange found that the length of tenure of directors and commissioners has a positive impact on ROA. This means that when boards have longer tenure, they have proven that they are more experienced, competent, and committed to achieving superior company performance. They also have a good understanding of the strengths, weaknesses, opportunities, and threats faced by the company (Amin & Sunarjanto, 2016b).

According to Sholihin (2010) evaluation of banking performance can often be seen through the level of profitability, which reflects how much profit is earned by the company. One common metric used to measure profitability is *Return on Asset* (ROA). Bank Indonesia, as an institution that supervises and regulates banks, often pays more attention to bank profitability as measured by total assets. This is because most of the funds owned by banks come from public deposits and banks are responsible for reallocating these funds into the community (Rosiana et al., 2019).

This research continues from Pranata & Laela (2020) with the renewal of the analysis of the characteristics of the sharia supervisory board, board of commissioners and board of directors on the profitability of Islamic banking in Indonesia. The characteristics and performance of the sharia supervisory board, commissioners, and directors have a major influence on the profitability of Islamic banks. The right strategic decisions, good risk management, and effective leadership and performance supervision can significantly increase bank profitability. Thus, the board's role in managing the bank has a direct impact on its financial health and business results a.

RESEARCH METHOD

The type of research used in this study is quantitative. Quantitative Research is a research approach based on philosophical principles, used to investigate a particular population or sample. Sampling is usually done randomly, and data is collected using special research tools. Data analysis is carried out quantitatively or statistically with the intention of testing previously formulated hypotheses (Intia & Azizah, 2021) . The data used in this study is secondary data, which is information that has been collected previously. This study uses statistical data in the form of *time series*, which is obtained from the official *websites of* various Islamic banks listed in the statistical report of the Financial Services Authority (OJK). The population used in this study are all Islamic Commercial Banks (BUS) registered with the Financial Services Authority (OJK) in 2010-2023. The sample used is Islamic banking in Indonesia. This research focuses on Islamic Commercial Banks (BUS) that have been registered with the Financial Services Authority (OJK) for a period of 14 years, starting from 2010 to 2023.

The data collection method in this study involves retrieving information that already exists in the annual reports and financial statements of each available Islamic bank. In addition, literature study was also used as a way to collect theories and data relevant to the topic under study.

There are 3 types of variables used in this study, namely dependent variables, independent variables and control variables. In this study, the dependent variable is the profitability of Islamic banking as measured by the financial ratio *Return On Assets* (ROA) and the independent variable is the characteristics of the sharia supervisory board, board of commissioners and board of directors which are associated with board size, board educational background and board tenure.

This study uses panel data regression method with processing using EViews 12 software. This data analysis method aims to collect information about independent variables such as board size, board tenure, and board level educational background. Meanwhile, the dependent variable is the profitability of Islamic banking. The data obtained from this study were analyzed descriptively. The data obtained were collected and then processed with the appropriate formula in the operational definition of variables.

RESULTS AND DISCUSSION

This study aims to analyze the characteristics of the sharia supervisory board, board of commissioners and board of directors on the profitability of Islamic banking in Indonesia. This analysis requires *annual reports* from Islamic banking companies over a fourteen-year period, from 2010 to 2023.

The sample of this study consists of Islamic banks registered as Islamic Commercial Banks in the Financial Services Authority (OJK). The secondary data analyzed were taken from the annual reports of 16 Islamic Commercial Banks obtained through the official websites of each bank. This study produced 189 sample data. Annual reports are used as a reference in selecting samples based on predetermined criteria, with a total of 16 bank samples.

Descriptive statistics in this study serve to describe the description of the variables involved in this study. Descriptive statistics are useful for analyzing whether the characteristics of the Sharia Supervisory

Board (DPS), commissioners, and directors have an influence on profitability in Islamic banking, especially in Islamic commercial banks. The following are the results of the data that has been tested.

Table 1. Descriptive Statistics

Variables	Observation	Minimum	Maximum	Mean	Std.Dev
Y	143	-1.2176	0.1080	-0.0022	0.1061
DPS_SIZE	143	2	5	2.2937	0.5416
BOC_SIZE	143	1	10	3.7902	1.3627
BOD_SIZE	143	2	10	4.3986	1.3434
DPS_EDU	143	0	3	0.5104	0.6593
BOC_EDU	143	0	1	0.0629	0.2437
BOD_EDU	143	0	1	0.0419	0.2011
DPS_TEN	143	0	13	4.6170	2.8327
BOC_TEN	143	0	9.33	2.5532	1.6530
BOD_TEN	143	0	6.67	2.5946	1.4837
Z	143	25.6246	33.4992	30.0731	1.3419
Description:					
Y			*Return On Asset* (ROA)		
DPS_SIZE			Sharia Supervisory Board Size		
BOC_SIZE			Board of Commissioners Size		
BOD_SIZE			Board Size		
DPS_EDU			Educational Background of DPS		
BOC_EDU			Commissioner's Educational Background		
BOD_EDU			Educational Background of Directors		
DPS_TEN			DPS Term of Office		
BOC_TEN			Commissioner Term of Office		
BOD_TEN			Term of Office of the Board of Directors		
Z			Firm Size		

Source: Data processed 2024

Based on the table above, the results of descriptive statistical analysis that have been processed using the EViews 12 application are obtained. The independent variable, namely *Return On Asset* (Y), has an average value of -0.0022 and a standard deviation of 0.1061. Banks with *Return On Asset* (ROA) below the average are Bank Victoria Syariah in 2020. The minimum value in this variable is -1.2176 owned by Bank Aladin Syariah in 2016 and the maximum value is 0.1080 held by Bank Aladin Syariah in 2019.

Furthermore, the Sharia Supervisory Board size variable has an average value of 2.2937 and a standard deviation of 0.5416. The minimum value on this variable is 2 and the maximum value is 5 held by Bank Syariah Mandiri in 2019. The Board of Commissioners size variable has an average of 3.7902 with a standard deviation of 1.3627. The minimum value in this variable is 1 owned by Bank Aceh Syariah in 2019 and the maximum value is 10 owned by Bank Syariah Indonesia in 2023. The Board of Directors size variable has an average with the largest number compared to the size of the Sharia Supervisory Board and the size of the Board of Commissioners, namely 4.3986 with a standard deviation of 1.3434, the minimum value of 2 owned by Bank Aceh Syariah in 2012 and 2019. The maximum value is 10 owned by Bank Syariah Indonesia in 2021-2023.

The second dependent variable is educational background. The educational background of the Sharia Supervisory Board has an average of 0.5104 with a standard deviation of 0.6593 with a minimum value of 0 and a maximum value of 3 held by Bank Syariah Mandiri in 2016-2019. The Board of Commissioners' educational background variable has an average of 0.0629 with a standard deviation of 0.2437 with a minimum value of 0 and a maximum of 1 obtained by BNI Syariah in 2016-2019 and BRI Syariah in 2010-2014. The variable educational background of the Board of Directors has an average of 0.0419 with a deviation value of 0.2011

with a minimum value of 0 and a maximum of 1 owned by Bank Victoria Syariah in 2016-2021.

The third dependent variable is tenure. The tenure of the Sharia Supervisory Board has an average of 4.6170 with a standard deviation of 2.8327 with a minimum value of 0 and a maximum value of 13 owned by Bank Panin Dubai Syariah in 2023. The tenure of the Board of Commissioners has an average of 2.5532 with a standard deviation of 1.6530 having a minimum value of 0 and a maximum value of 9.33 owned by Bank Mega Syariah in 2014. Then the tenure of the Board of Directors has an average value of 2.5946 with a standard deviation of 1.4837 with a minimum value of 0 and a maximum value of 6.67 owned by Bank Mega Syariah in 2021.

The table above shows that company size (Z) has a minimum value of 25.6246 owned by Bank Aladin Syariah in 2016 and a maximum number of 33.4992 owned by Bank Syariah Indonesia in 2023, which means that Bank Syariah Indonesia has a large enough business scale due to the merger between BNI Syariah, BRI Syariah and BSM.

Test Requirements

Regression Model Selection

To determine the appropriate regression model, the first step is to conduct the Chow Test. Decision making on the hypothesis in the Chow Test is done through the F statistical test and the *log likelihood ratio* statistical test (LR test). The hypotheses in the study used include:

H0 = Using *Common Effect Model*
Ha = Using the *Fixed Effect Model*

With the test criteria, H0 is accepted if the probability value> 0.05, which means that the research model used is the *Common Effect Model* and Ha is accepted if the probability value <0.05, which means that the research model used is the *Fixed Effect Model.*

The following are the results of the Chow Test:

Table 2. Chow Test Results

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	1.075832	(15,117)	0.3861
Cross-section Chi-square	18.476790	15	0.2384

Source: EViews 12 output

Based on table 2 above, the Chow test shows a *Chi-square* probability value of 0.2384 which can be interpreted as greater than 0.05. So it can be concluded that H0 is accepted and Ha is rejected for use in research with the *Common Effect* model. Thus the research proceeded to the Lagrange Multiplier Test. The hypothesis carried out in the Lagrange Multiplier Test is as follows:

Ho = Using *Common Effect Model*
Ha = Using *Random Effect Model*

With the test criteria, Ho is accepted if the *Breusch-Pagan cross section* value> 0.05 then Ha is accepted if the *Breusch-Pagan cross section* value <0.05. The following are the results of the Lagrange Multiplier Test:

Based on table 3, the Lagrange Multiplier test results show a *Breusch-Pagan* number of 0.4281 which means greater than 0.05. So it can be concluded that Ha is accepted and the best model used in this study is the *Common Effect Model.*

Analysis of Panel Data Regression Results

After conducting several model selection tests, the results show that the *Common Effect Model* is the right regression model to be used in this study.

Table 3. Lagrange Multiplier Test Results

Lagrange Multiplier Tests for Random Effects
Null hypotheses: No effects
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	0.627986	0.492654	1.120641
	(0.4281)	(0.4827)	(0.2898)
Honda	-0.792456	-0.701893	-1.056664
	(0.7860)	(0.7586)	(0.8547)
King-Wu	-0.792456	-0.701893	-1.054810
	(0.7860)	(0.7586)	(0.8542)
Standardized Honda	0.020287	-0.545987	-4.839078
	(0.4919)	(0.7075)	(1.0000)
Standardized King-Wu	0.020287	-0.545987	-4.819899
	(0.4919)	(0.7075)	(1.0000)
Gourieroux, et al.	--	--	0.000000
			(1.0000)

Source: EViews 12 output

Table 4. Regression Test Results *Common Effect Model*

Dependent Variable: ROA
Method: Panel Least Squares
Date: 08/09/24 Time: 09:56
Sample: 2010 2023
Periods included: 14
Cross-sections included: 16
Total panel (unbalanced) observations: 143

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1.592145	0.268086	-5.938937	0.0000
DPS_SIZE	-0.027006	0.023341	-1.157024	0.2494
BOC_SIZE	-0.002062	0.011940	-0.172731	0.8631
BOD_SIZE	-0.025967	0.012186	-2.130950	0.0349
DPS_EDU	-0.005922	0.015633	-0.378792	0.7055
BOC_EDU	-0.038655	0.035593	-1.086034	0.2794
BOD_EDU	0.121296	0.045306	2.677281	0.0084
DPS_TEN	-0.011328	0.003381	-3.350605	0.0011
BOC_TEN	0.005343	0.006697	0.797744	0.4265
BOD_TEN	0.005701	0.008137	0.700681	0.4847
FIRM_SIZE	0.059790	0.010001	5.978196	0.0000

Based on the regression results above, the formula for the regression equation is as follows:

Yit = -1.592145 - 0.027006 DPS_SIZE - 0.002062 BOC_SIZE - 0.025967 BOD_SIZE - 0.005922 DPS_EDU - 0.038655 BOC_EDU + 0.121296 BOD_EDU - 0.011328 DPS_TEN + 0.005343BOC_TEN + 0.005701BOD_TEN + 0.059790FIRM_SIZE + εit

Based on the above equation, it can be described as follows:

1) The regression model shows a constant value of -1.592145 which states that if the greater the independent variable in this study, the dependent variable or profitability decreases by the same amount.

2) Based on the regression equation above, the Sharia Supervisory Board size variable has a regression coefficient of -0.027006. This shows that every one unit increase in the size of the Sharia Supervisory Board, the profitability borne by the company will decrease by 0.027006.

3) The regression coefficient of the Board of Commissioners size variable has a value of -0.002062. This shows that every one unit increase in the Board of Commissioners size variable, the company's profitability will decrease by 0.002062.

4) The regression coefficient of the Board of Directors size variable has a value of -0.025967. This shows that every one unit increase in the Board of Directors size variable, the company's profitability will decrease by 0.025967.

5) The regression coefficient of the Sharia Supervisory Board education background variable has a value of -0.005922. This shows that every one unit increase in the educational background variable of the Sharia Supervisory Board, the company's profitability will decrease by 0.005922.

6) The regression coefficient of the variable educational background of the Board of Commissioners has a value of -0.038655. This shows that every one unit increase in the Board of Commissioners' educational background variable, the company's profitability will decrease by 0.038655.

7) The regression coefficient of the Board of Directors' educational background variable has a value of 0.121296, which indicates that every one unit increase in the Board of Directors' educational background variable, the company's profitability will increase by 0.121296.

8) The variable regression coefficient of the tenure of the Sharia Supervisory Board has a value of -0.011328. This shows that every one unit increase in the variable tenure of the Sharia Supervisory Board, the company's profitability will decrease by 0.011328.

9) The regression coefficient of the Board of Commissioners tenure variable has a value of 0.005343. This shows that every one unit increase in the variable tenure of the Board of Commissioners, the company's profitability will increase by 0.005343.

10) The regression coefficient of the Board of Directors tenure variable has a value of 0.005701 which indicates that every one unit increase in the Board of Directors tenure variable, the company's profitability will increase by 0.005701.

11) The company size variable regression coefficient has a value of 0.059790. This shows that every one unit increase in the company size variable, the company's profitability will increase by 0.059790.

Hypothesis Testing

Classical Assumption Test

In panel data regression analysis, there are three classic assumption tests that must be performed, namely multicollinearity test, heteroscedacity test, and normality test. However, the autocorrelation test is only applied to time series data (Basuki, 2014) . This classical assumption test is conducted to ensure that the resulting estimates are precise, consistent, and free from bias.

Multicollinearity Test

The multicollinearity test is used to check whether there is a correlation between the dependent variables in the regression model being tested.

According to Iqbal (2015) multicollinearity test is applied when performing linear regression with more than one variable. If there is only one independent variable, then multicollinearity will not occur.

Table 5. Test Results

	DPS_SIZE	BOC_SIZE	BOD_SIZE	DPS_EDU	BOC_EDU	BOD_EDU	DPS_EXP	BOC_EXP	BOD_EXP	FIRM_SIZE
DPS_SIZE	1.000000	0.608772	0.554118	0.563124	-0.034321	-0.113871	-0.212866	-0.026289	-0.309935	0.517043
BOC_SIZE	0.608772	1.000000	0.796095	0.378666	0.167266	-0.121777	-0.165744	-0.206954	-0.207510	0.623828
BOD_SIZE	0.554118	0.796095	1.000000	0.325181	0.051894	-0.088365	-0.131268	-0.157381	-0.362853	0.683088
DPS_EDU	0.563124	0.378666	0.325181	1.000000	-0.026050	-0.162595	-0.001919	-0.022753	-0.183354	0.460847
BOC_EDU	-0.034321	0.167266	0.051894	-0.026050	1.000000	-0.054236	-0.077049	0.082519	0.118769	0.130505
BOD_EDU	-0.113871	-0.121777	-0.088365	-0.162595	-0.054236	1.000000	0.213732	-0.105577	-0.046810	-0.275523
DPS_EXP	-0.212866	-0.165744	-0.131268	-0.001919	-0.077049	0.213732	1.000000	0.078049	0.257645	0.082348
BOC_EXP	-0.026289	-0.206954	-0.157381	-0.022753	0.082519	-0.105577	0.078049	1.000000	0.576074	-0.114200
BOD_EXP	-0.309935	-0.207510	-0.362853	-0.183354	0.118769	-0.046810	0.257645	0.576074	1.000000	-0.214318
FIRM_SIZE	0.517043	0.623828	0.683088	0.460847	0.130505	-0.275523	0.082348	-0.114200	-0.214318	1.000000

Source: EViews 12 output

The multicollinearity test is conducted to check whether there is a strong correlation between the independent variables. A strong correlation can affect the accuracy of parameter estimation. Based on the correlation table, the correlation coefficient value between the variables DPS_SIZE BOC_SIZE BOD_SIZE DPS_EDU BOC_EDU BOD_EDU DPS_TEN BOC_TEN BOD_TEN FIRM_SIZE is smaller than 0.85, so it is concluded that the regression model passes the multicollinearity test (Ghozali, 2011).

Heteroscedasticity Test

This test aims to identify whether there are differences in variance with one observation with other observations in the regression model being tested.

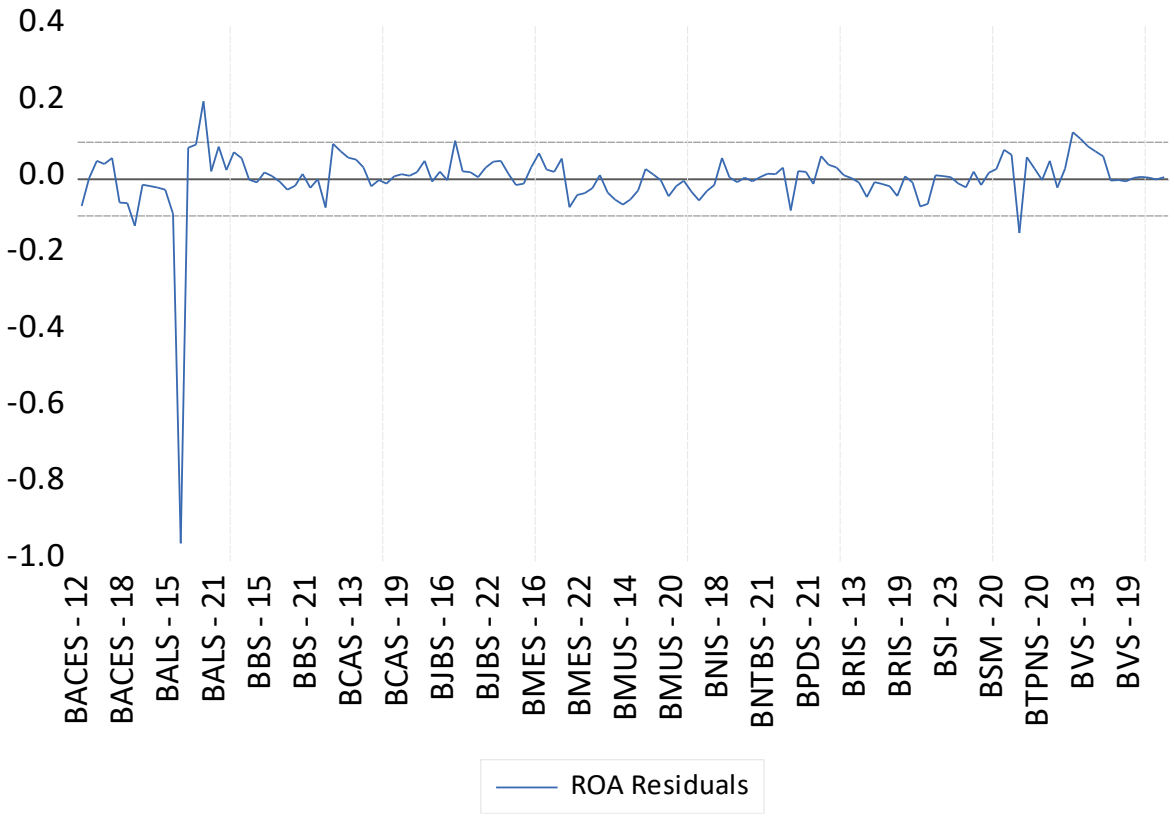

Figure 1. Y Residual Graph

In the heteroscedasticity test using the Y residual graph, it appears that there is no heteroscedasticity. The residual graph (in blue) shows that the Y residuals do not cross the boundaries (500 and -500), meaning that the residual variance is the same. This indicates that the model does not experience

heteroscedasticity problems, in accordance with the findings of (Napitupulu et al., 2023 .

Statistical Hypothesis

This research hypothesis was tested with panel data regression analysis, which was then processed using EViews 12. This test aims to determine the accuracy of each research hypothesis against the reality of the data that has been collected. To assess how well the model explains the independent variables, the coefficient of determination (R^2) test is conducted. In addition, to evaluate the effect of the dependent variable on the independent variable, the t-test is applied. Both types of tests are conducted using the *Common Effect Model*, which helps in understanding the relationship between variables as a whole.

Determination Coefficient Test

Table 6. Coefficient of Determination Test Results

R-squared	0.230033
Adjusted R-squared	0.171702
S.E. of regression	0.096588
Sum squared resid	1.231467
Log likelihood	137.0484
F-statistic	3.943583
Prob(F-statistic)	0.000102

Source: EViews 12 output

The coefficient of determination is also known as *R-squared*. This test is used to measure the percentage of independent variables that can be explained by the dependent variable in a model. The higher the *R-squared* value, the greater the influence of the dependent variable in explaining the independent variable. If *R-squared* is 1, this indicates that the model has a perfect fit. Based on table 6 above, the R^2 test produces a value of 0.1717, which indicates that the independent variables can explain 17.17% of profitability, while the remaining 82.83% is influenced by other variables not included by this study.

Partial Significance Test (t test)

After testing the R-squared, the next step is to analyze the t test. This test is conducted to determine whether each independent variable individually has an influence on the dependent variable. This influence is assessed based on the significance level of each variable. If the significance value is <0.05, then the dependent variable has an effect on the independent variable. The following is a table showing the results of the t test and its explanation:

Table 7. T Test Results

No.	Variables	Hypothesis	Coefficient	P > t	Hypothesis
1.	Sharia Supervisory Board (SSB) Size	H1a (+)	-0.027006	0.2494	Not Accepted
2.	Board of Commissioners (BoC) Size	H1b(+)	-0.002062	0.8631	Not Accepted
3.	Board Size	H1c(+)	-0.025967	0.0349	Not Accepted
4.	Educational Background of SSB	H2a(+)	-0.005922	0.7055	Not Accepted
5.	BoC Education Background	H2b(+)	-0.038655	0.2794	Not Accepted
6.	Educational Background of the BoD	H2c(+)	0.121296	0.0084	**Accepted**
7.	Term of Office of the Sharia Supervisory Board	H3a (+)	-0.011328	0.0011	Not Accepted
8.	Term of Office of the Board of Commissioners	H3b (+)	0.005343	0.4265	Not Accepted
9.	Term of Office of the Board of Directors	H3c(+)	0.005701	0.4847	Not Accepted

Source: EViews 12 output

Based on table 7 above, the results of the T test can be concluded based on a significant probability value smaller than 0.05 each independent variable is explained as follows:

1) First Hypothesis

The Sharia Supervisory Board size variable has a probability value of 0.2494 which has a value greater than 0.05. However, the variable coefficient has a value of -0.027006. So, it can be concluded that the variable size of the Sharia Supervisory Board does not have a significant effect on company profitability and the first hypothesis **is not accepted**.

2) Second Hypothesis

The Board of Commissioners size variable has a probability value of 0.8631 which has a value greater than 0.05 and the variable coefficient has a value of -0.002062. So it can be concluded that the Board of Commissioners size variable does not have a significant effect on company profitability and the second hypothesis **is not accepted**.

3) Third Hypothesis

The Board of Directors size variable has a probability value of 0.0349 which has a value smaller than 0.05 and the variable coefficient has a value of -0.025967. So, it can be concluded that the Board of Directors size variable has a significant negative effect on company profitability and the third hypothesis **is not accepted**.

4) Fourth Variable

The educational background of the Sharia Supervisory Board has a probability value of 0.7055 which has a value greater than 0.05. However, the variable coefficient has a value of -0.005922. So, it can be concluded that the educational background variable of the Sharia Supervisory Board does not have a significant effect on company profitability and the fourth hypothesis **is not accepted**.

5) Fifth Variable

The educational background of the Board of Commissioners has a probability value of 0.2794 which has a value greater than 0.05. However, the variable coefficient has a value of -0.038655. So, it can be concluded that the Board of Commissioners' educational background variable does not have a significant effect on company profitability and the fifth hypothesis **is not accepted**.

6) Sixth Variable

The educational background of the Board of Directors has a probability value of 0.0084 which is smaller than 0.05. However, the variable coefficient has a value of 0.121296. So, it can be concluded that the educational background variable of the Board of Directors has a significant positive effect on company profitability and the sixth hypothesis **is accepted**.

7) Seventh Hypothesis

The tenure of the Sharia Supervisory Board has a probability value of 0.0011 which has a value smaller than 0.05 and the variable coefficient has a value of -0.011328. So, it can be concluded that the variable tenure of the Sharia Supervisory Board has a significant negative effect on company profitability and the seventh hypothesis **is not accepted**.

8) Eighth Hypothesis

The tenure of the Board of Commissioners has a probability value of 0.4265 which has a value greater than 0.05 and the variable coefficient has a value of 0.005343. So, it can be concluded that the tenure variable of the Board of Commissioners does not have a significant effect on company profitability and the eighth hypothesis **is not accepted**.

9) Ninth Hypothesis

The tenure of the Board of Directors has a probability value of 0.4847 which has a value greater than 0.05 and the variable coefficient has a value of 0.005701. So, it can be concluded that the variable tenure of the Board of Directors does not have a significant effect on company profitability and the ninth hypothesis **is not accepted**.

DISCUSSION

The Effect of Board Size on Islamic Banking Profitability

The first hypothesis discussed relates to board size, including the Sharia Supervisory Board, Commissioners, and Directors. The data shows that board size has no significant effect on the profitability of Islamic banking companies. The size of the sharia supervisory board has no effect on such profitability. Although the sharia supervisory board is tasked with ensuring that the company's activities are in line with sharia principles and the interests of sharia investors, the number of board members does not necessarily guarantee the quality of effective supervision. The quality and independence of the board also needs to be considered as the direction they give on profitability has a direct impact on the bank. One reason why the size of the Islamic supervisory board has no effect is because some board members have dual roles, which reduces the effectiveness of their performance. The size of the sharia supervisory board that has no effect is in accordance with research conducted by Kholid & Bachtiar (2015) and Muhammad & Oktaviyanti (2020) which states that the size of the sharia supervisory board has no effect on maqashid syariah.

The same result is obtained by the board of commissioners that the size of the board of

commissioners does not have a positive influence on the profitability of Islamic banking companies. The board of commissioners is a corporate body that is jointly responsible for supervising, providing advice, and advising the board of directors. In the organizational structure, all members of the board of commissioners have the same interests, although some have a position as the main commissioner. However, in terms of company operations, the board of commissioners does not have the authority to make decisions. The results of this study are in line with those conducted by Katutari et al (2019) and Fitriyani (2021) which shows that the size of the board of commissioners has no significant effect on profitability. This means that many or few members of the board of commissioners have no effect on the high and low profitability of the company.

The test results for board size have a negative effect on company profitability. The board of directors has the responsibility of managing operations and making strategic decisions. At the operational management level, conflicts of interest between company owners *(principals*) and managers (agents) often occur, especially related to company income. Therefore, the size of the board of directors does not directly impact the company's profitability. This research is in accordance with that conducted by Satriadi et al. (2018) The number of board members has a significant negative effect on company profitability. The more members of the board of directors, the lower the company's profitability. This can be caused by conflicts that arise with the increase in board members. Conflicts that can occur between them include misunderstandings and miscommunication in running business operations. This research is also in line with that conducted by Yermack (1996), who concluded that having too many board members can reduce the profitability of the company. This is because a large board of directors tends not to optimally utilize assets and other resources to increase the company's profitability.

The Effect of Board Educational Background on Islamic Banking Profitability

The second hypothesis to be discussed is the educational background of the board. Based on the test results, the educational background of the sharia supervisory board and the board of commissioners shows significant negative results on the profitability of banking companies. The sharia supervisory board acts as a supervisor to ensure that Islamic banking operations comply with Islamic law, including ensuring that bank products follow sharia. The sharia supervisory board also has expertise in financial analysis or risk management. This research is not in accordance with research conducted by Khan et al. (2024), which states that Islamic educational background affects the performance of Islamic banks. Therefore, future research may consider adding criteria related to educational background. The education of the board of commissioners has a significant negative effect on company profitability. However, this study is not in line with research conducted by Maulia & Januarti (2014) and Amin & Sunarjanto (2016), where the education of the board of commissioners with an economic background has a positive impact on company performance because it is considered to provide guidance in making business decisions.

The test results for the educational background of the board of directors have a significant positive effect on company profitability. Directors are responsible for supervising and making operational decisions in Islamic banking. Directors who have a sharia educational background understand their responsibility to morals and business ethics in line with Islamic principles. Members of the board of directors who have an education in business and economics have a superior ability to manage and make business decisions than members of the board of directors who do not understand the field of business and economics (Saputra, 2019). However, this research is not in accordance with that conducted by Mustahidda & Wahyono (2021) which explains that the educational background of directors has a negative influence on the financial performance of Islamic banking.

The Effect of Board Tenure on Islamic Banking Profitability

The third hypothesis to be discussed is board tenure. This tenure is an indicator of experience that reflects the duration of time the board has spent in carrying out its duties. It is expected that with sufficient tenure, the board members have understood their roles and responsibilities well. Linking to the interpretation of Surah Al-Inshirah verse 7 which states, "*So when you have finished an affair, keep working hard for another affair*," this verse teaches that tenure in the organization must be undertaken with full commitment, responsibility, and enthusiasm to increase the company's revenue.

The test results on the tenure of the sharia supervisory board have negative significant results on the profitability of banking companies. The maximum tenure of a member of the sharia supervisory board is the same as that of a member of the board of directors

or the board of commissioners. As members of the sharia supervisory board, they are only allowed to hold similar positions in a maximum of two Islamic banking institutions and two non-bank Islamic financial institutions. AAOIFI in the *Governance Standard for Islamic Financial Institutions* (GSIFI) explains that the role of the Sharia Supervisory Board is *directing, reviewing and supervising the activities of Islamic Financial Institutions in order to ensure that they are in compliance with Islamic sharia rules and principles*. That is, the role of the sharia supervisory board is to direct, assess, and supervise all activities of Islamic financial institutions to ensure that their activities are in accordance with sharia principles and rules. Thus, according to AAOIFI, there are three roles of the sharia supervisory board in Islamic financial institutions, namely assessing, directing and supervising the activities of Islamic banks in order to comply with sharia rules and principles.

The tenure of commissioners has no significant effect on the profitability of banking companies. This research is in accordance with that conducted by Pranata & Laela (2020), which states that the tenure of commissioners has no impact on maqashid syariah goals. Other studies, such as those conducted by Lestari & Mutmainah (2020) and Krishnamurti & Dewayanto (2020), also show that the tenure of commissioners does not significantly affect the company's financial performance. When commissioners serve for a long time, they tend to feel more senior and lose independence, and become closer to managers, which can result in suboptimal supervision.

The same result is obtained by the board of directors that the tenure of the board of directors does not significantly affect the profitability of the company. The tenure of the board of directors turns out to have a significant negative effect on company profitability. This research is not in line Amin & Sunarjanto (2016) who found that the length of tenure of directors and commissioners has a positive impact on ROA. However, this research is in line with that conducted by Dagsson (2016) which shows that the length of tenure of a board of directors does not necessarily improve company performance. And Pranata & Laela (2020) states that the tenure of directors has results that have no significant effect on maqashid sharia and financial performance.

CONCLUSION

This study aims to analyze the effect of the characteristics of the sharia supervisory board, board of commissioners, and board of directors on the profitability of Islamic banking in Indonesia. The data used consists of 16 Islamic banking companies registered as Islamic Commercial Banks during the period 2010-2023. Based on the results of panel data analysis processed using EViews 12, this study resulted in several conclusions. First, the size of the sharia supervisory board, board of commissioners, and board of directors has no effect on the profitability of Islamic banking. Second, the educational background of the sharia supervisory board and the board of commissioners has no effect on the profitability of Islamic banking, while the educational background of the board of directors has a positive and significant effect. Third, the tenure of the sharia supervisory board, board of commissioners, and board of directors has no effect on the profitability of Islamic banking.

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