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# Board of directors' effectiveness and operational risk disclosure on Indonesian Islamic bank performance: The mediating effect of sharia supervisory board quality

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***Abstract***
*Islamic banks today offer several financial and investment options. Despite being designated as a "newcomer," Islamic banks in Indonesia are growing. Islamic banks in Indonesia require solid governance to boost their performance. This study investigates the effectiveness of the board of directors and the impact of operational risk disclosure on performance, using the Sharia supervisory board as a moderator. This study's population consists of Islamic banks in Indonesia that are listed on the Indonesia Stock Exchange between 2016 and 2020. This study uses the purposive sampling method. The criteria of sample selection is Islamic commercial banks in Indonesia publish yearly financial reports from 2016 to 2020 and have released financial statements using the rupiah currency unit. This study used a moderate regression test with the Minitab programme. This study result indicates that disclosing operational risk has a negative impact on performance. Furthermore, a skilled Sharia supervisory board can improve the disclosure of operational risk to the performance of Islamic banks.*

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## Introduction

Indonesia has the largest Muslim population globally, which plays a role in increasing the development of Islamic banking. However, most Islamic financial institutions' capital

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providers, shareholders, and investors are very concerned. They question whether their funds are invested sharia-compliantly (Chapra & Ahmed, 2016). This big question can be answered through the mechanism of good corporate governance. Good corporate governance is crucial in improving the performance of Islamic banks (Khan & Zahid, 2020). The best suitable governance mechanism is that board committees play a significant role because they intervene in remuneration, senior management replacement, and ratify corporate budgets. The Sharia Supervisory Board is one of the leading corporate governance mechanisms in the Islamic banking system. Sharia Supervisory Board is capable of supervising and overseeing Sharia banking operations by Sharia principles (Prabowo & Jamal, 2017) so that the corporate governance structure has an essential impact on performance (Liang et al., 2013; Luo & Salterio, 2014) and disclosure quality (Verriest et al., 2013).

Previous researchers have widely discussed the literature related to the performance of Islamic banks, including good corporate governance index, shariah supervisory board (Khan & Zahid, 2020), shariah governance mechanisms (quality of the board of directors, shariah supervisory board, management, and shariah). executives) (Alam et al., 2021), education strategy misfit, board effectiveness (Wijayanti et al., 2020), management accounting-strategy coalignment (Laela et al., 2018), ownership structure (Slama et al., 2014), financial crisis, legal origin, economic status (Al-Nasser et al., 2017), risk and efficiency (Hidayat et al., 2021), board effectiveness, operational risk transparency, shariah supervisory board (Neifar et al., 2020), gender diversity (Jabari & Muhammad, 2020), disclosure and shariah governance (Abdallah & Bahloul, 2021). This research was conducted because there are still gaps in existing research. The research results of Hassan et al. (2017) show that corporate governance and Sharia advisory boards significantly affect the performance of Islamic banks during the study period. However, Spindler's (2006) research shows that corporate governance and sharia advisory boards have little effect on the performance of Islamic banks. This study provides other factors that can affect the performance of Islamic banks in Indonesia, the effectiveness of the board of directors and disclosure of operational risk on the performance of Islamic banks in Indonesia with the age of Islamic banks as a control variable and the quality of the Islamic supervisory board as moderating. The results of this study are expected to make a positive contribution so that it can be used as a basis for consideration in making policies regarding the performance of Islamic banks in Indonesia.

## Literature Review

*Sharia bank performance*

Performance is a general term used for several organizational actions or activities concerning standard figures such as one-time or projected costs based on efficiency, accountability, or management accountability (Bandawaty, 2020). Measurement of Islamic bank performance generally uses financial performance measurement (Jabari & Muhamad, 2020; Hidayat et al., 2021; Al-Nasser et al., 2017).

Generally, bank performance assessment uses various analytical methods, such as ratio analysis, CAMELS, and other analytical tools. Currently, in Indonesia, the performance of Islamic and conventional banking is evaluated and measured using CAMELS (Capital et al., Ability Earnings, Liquidity, Sensitivity to Market Risk). BI Regulation No.6/10/PBI/2004 concerning Bank Soundness Assessment System for Commercial Banks and No.9/1/PBI/2007 concerning Bank Soundness Assessment Based on Sharia Principles, which stipulates that Islamic banks are required to conduct a health assessment including the CAMELS factor.

The bank's soundness generally measures the performance of Islamic banks in Indonesia. The resilience of a bank is the result of an assessment of the bank's condition based on risk, including risks related to the application of Sharia principles and bank performance, known as

Risk-based Bank Rating. The bank's health reflects the condition and implementation of the bank. The financial performance of Islamic banks consists of good governance, earnings, and capital (POJK Number 8, 2014).

*Shariah governance*

Good corporate governance Islamic Banks and Sharia Units govern banks to apply the principles of transparency, accountability, responsibility, professionalism, and fairness (PBI No. 11/33, 2009). Agency theory is closely related to corporate governance; this relationship is due to different interests between principals and agents (Jensen & Meckling, 1976; Jensen, 1993). Information on the company needs to be accepted in a balanced way between agents and principals, which is commonly referred to as asymmetry. information (Jensen & Meckling, 1976). This information asymmetry will cause conflicts between agents and principals. A comprehensive mechanism is needed to overcome these conflicts. Suitable corporate governance mechanisms can minimize disputes between agents and principals (Al-Nasser et al., 2017).

Islamic banks need Shariah governance as a construction basis in carrying out principles by Shariah law so that the rights of stakeholders are protected; the Shariah governance structure needed by Sharia banks is a sharia supervisory board, a qualified board of directors, shariah executive, audit committee (Alam et al., 2021; Jabari & Muhammad, 2020; Abdallah & Bahloul, 2021).

*Effectiveness of the board of directors*

The board of directors in the company is authorized and entirely responsible for managing the company for the company's benefit, By the aims and objectives of the company, and representing the company, both inside and outside the court, by the provisions of the articles of association (PBI No 11/33, 2009). The Board of Directors fully implements Sharia Commercial Bank management based on prudential and Sharia principles. The board of directors' effectiveness can be measured through the size, composition, and function of the board of directors (Liang et al., 2013).

Liang et al. (2013) explore board characteristics, size, composition, and function and analyze their impact on bank performance and asset quality in China. The findings show that the board of directors plays a vital role in bank governance. Several attributes that can affect the effectiveness of the board of directors are the quality of the board of directors, the presence of a monitoring committee, independent directors, size of the board of directors, inter-company directorship positions, share ownership of directors, disclosure of directors qualifications, and the majority of non-executive directors (Neifar et al., 2020; Al-Malkawi et al., 2014).

*Operational Risk Disclosure*

Disclosure is one of the essential factors in developing Islamic banks (Abdallah & Bahloul, 2021). Exposure is one of the principles of realizing Shariah governance. One of the efforts to improve transparency is the disclosure of operational risk (PBI No 11/33, 2009).

Operational risk disclosure consists of several considerations. These considerations are whether the operational risk must be disclosed, the type of risk information that can be told, and how the risk is measured (Cabedo & Tirado, 2004). Neifar et al. (2020) show that when the quality level of the Sharia supervisory board is high, it strengthens Islamic banks to increase operational risk disclosure.

*Sharia supervisory board*

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Sharia governance was a new concept in the 19th century. Sharia governance is the basic foundation of the development of Islamic financial institutions—the Islamic Financial Services Board. Governance Standards (IFSB, 2009) define Sharia governance as a set of institutional and organizational rules in which IFIs ensure that there are independent and adequate Sharia controls to support good corporate governance of Islamic banking in Indonesia. Bank Indonesia Regulation Number 11/33/PBI/2009 concerning the Implementation of Good Corporate Governance for Sharia Commercial Banks and Sharia Business Units stipulates the Sharia supervisory board as one component of Good Corporate Governance (GCG).

The Sharia supervisory board provides advice and suggestions to the board of directors and supervises the bank's activities by Sharia principles. The Sharia board must carry out its duties and responsibilities by the principles of good corporate governance. The Sharia supervisory board is one of the keys to the corporate governance mechanism in the Islamic banking system (Neifar et al., 2020). The sharia supervisory board is a specialized body in commercial jurisprudence and an expert in Islamic finance (IFSB, 2009; AAOIFI, 2010). The quality of the sharia supervisory board can be seen from its structure, competence, independence, and confidentiality (IFSB, 2009). There are several attributes in looking at the quality of the Sharia supervisory board, namely the existence of the Sharia supervisory board, the number of Sharia supervisory boards, knowledge and experience in Islamic banking, and doctoral qualifications (Neifar et al., 2020).

*Effectiveness of board of directors on the performance of Islamic banks*

The proportion of independent directors and structure is a good proxy in supervising the board of directors (Michelon & Parbonetti, 2012). The balance of the independent board of directors positively affects the bank's performance (Al Manaseer et al., 2012). Characteristics of the board of directors such as size, composition, and function affect bank performance; the board of directors is small in number, the board of directors meeting has more frequency, and the number of independent boards of directors is very efficient in the supervisory function (Liang et al., 2013). In addition (Staikouras et al., 2007) also state that the size of the board of directors and the proportion of non-executive directors affect bank performance. His research examines the relationship between the two most relevant corporate governance factors, namely the size of the Board of Directors and the proportion of non-executive directors and firm performance in a sample of 58 central European banks during 2002-2004. The empirical analysis includes several bank-specific variables. The results show that bank profitability is negatively related to the size of the board of directors. In contrast, the impact of board composition, although positive across all models, is in most cases insignificant. The results are strong after controlling for firm-specific variables.

The research results of Hassan et al. (2017) show that corporate governance and sharia advisory boards significantly affect the performance of Islamic banks during the study period. The size and composition of the board of directors harm bank performance, a small commission of directors size will improve the performance of Islamic banks, and a more optimal design of the non-executive board of directors will enhance the performance of Islamic banks because it is based on a stakeholder perspective based on sharia principles. The board of directors in an Islamic bank must represent all stakeholders or the entire Islamic bank (Rahman & Bukair, 2013). Abdallah & Bahloul (2021) stated that the board of directors, audit committee, and sharia supervisory board affect the performance of Islamic banks through ROA and ROE proxies.

The effectiveness of the Sharia Board of Directors and the supervisory board has a positive effect on the profitability and financial performance of the bank. The role of the Sharia supervisory board is to understand the fiqh muamalah aspects and oversee the board of directors in business management, so it is crucial to ensure performance is by Islamic principles

(Wijayanti et al., 2020). As measured by the total number of respected board committee recommendations (Board of Directors Effectiveness Index), the board of directors positively affects the performance of Islamic banks (Neifar et al., 2020). Then the research hypothesis proposed is as follows:

*$H_1$*: Effectiveness of the board of directors has a positive effect on bank performance

Disclosure is one application of the principles of good corporate governance, which is transparency. Disclosure is essential for investors to understand organizational structures and processes (Liu et al., 2019). Risk disclosure was developed to reduce agency problems and information asymmetry (Alshirah et al., 2021). Companies that provide risk information in their annual reports will affect the quality of corporate governance and company performance (Abraham & Cox, 2007).

Neifar et al. (state that risk disclosure positively affects bank performance. A combination of the functions of the board of directors will improve performance because there is an incentive to disclose information to stakeholders. Disclosure will reduce information asymmetry, thereby reducing agency costs and will improve business performance (Jensen & Meckling, 1976). However, what needs to be disclosed at this time is different from the disclosure of earnings, good corporate governance, and corporate social responsibility, which the higher the disclosure, the better the bank's performance because stakeholders will see the positive side of profits, good corporate governance, and corporate social responsibility increases (Rahman & Bukair, 2013). One of the operational risk disclosures is risk information on Islamic banks, so the higher the risk disclosed, the lower the bank's performance. If the disclosure of operational risk is high, it will affect the decline in performance (Ko et al., 2017; Abdallah & Bahloul, 2021). Then the research hypothesis proposed is as follows:

*$H_2$*: Disclosure of operational risk harms bank performance

*The moderating effect of the quality sharia supervisory board*

Islamic banks have different objects from conventional banks. Islamic banks are expected to seek profit and improve social welfare and economic growth. Islamic banks need a suitable corporate governance mechanism, including the Sharia board, for this hope. Besides improving good corporate governance, the Sharia supervisory board is also considered important in promoting equity financing (Meslier et al., 2020). A Sharia board is also expected to increase the transparency of Sharia bank information, both financial and non-financial, to stakeholders (PBI No 11/33, 2009). The Sharia supervisory board is considered to be a particular supervisor to reduce the differences in the interests of investors and bank management (Rahman & Bukair, 2013)

Several indicators, including independence, determine the s quality, sharia supervisory board, size, reputation, education, experience, positions previously held, and information disclosed (Neifar et al., 2020; Rahman & Bukair, 2013). The board of directors suitable composition and proper function will improve bank performance (Neifar et al., 2020). A Sharia supervisory board will also improve performance by advising the directors and overseeing bank activities to comply with Sharia principles (PBI No 11/33, 2009; Neifar et al., 2020).

Disclosure of information in the Islamic banking environment is essential. Disclosure of information in an Islamic environment should reduce information asymmetry between owners and managers and between Islamic banks and customers (Neifar & Jarboui, 2018). A sharia supervisory board in Islamic banks will improve monitoring by providing complete information (Farook et al., 2011). Full information will reduce information asymmetry and agency costs to enhance business performance (Jensen & Meckling, 1976). Then the research hypothesis proposed is as follows

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*$H_3$*: The quality of the sharia supervisory board strengthens the board of directors' effectiveness on bank performance.

*$H_4$:* The Sharia Supervisory Board's quality enhances the effect of operational risk disclosure on bank performance.

**Methodology**

The population in this study is Islamic banks in Indonesia listed on the Indonesia Stock Exchange for the 2016-2020 period. The sampling method in this research is purposive sampling. The selection of samples is not random with specific criteria. Therefore, members of the population who do not meet the requirements will not be selected as the study sample. Selected sample criteria must be requirements criteria: Islamic commercial banks in Indonesia publish annual financial reports from 2016 to 2020 and have issued financial statements using the rupiah currency unit. There are 13 Sharia retail bank data that selected as sample of study include PT. Bank Aceh Syariah, PT. NTB Syariah, PT. Bank Muamalat Indonesia, PT. Bank Victoria Syariah, PT. Bank BRI Syariah, PT. Bank Jabar Banten Syariah, PT. Bank BNI Syariah, PT. Bank Syariah Mandiri, PT. Bank Mega Syariah, PT. Bank Panin Dubai Syariah, PT Bank Syariah Bukopin, PT. BCA Syariah, PT. Bank Sharia National Pension Savings.

This study uses descriptive statistics, classical assume tests, and hypothesis testing using moderate regression analysis with the Minitab program. The interaction test, often called Moderated Regression Analysis (MRA), applies multiple linear regression where the regression equation contains interaction elements (Ghozali, 2018).

The moderate regression equation can be formulated as follows:

$$Y_{it} = \alpha + \beta_1 EDD_{it} + \beta_2 PRO_{it} + \beta_3 (EDD.DPS)_{it} + \beta_4 (PRO.DPS)_{it} + e_{it}$$

$Y_1$ = bank performance
$\alpha$ = Constanta
$\beta$ = Regression Coefficient
EDD = Effectiveness of the Board of Directors
PRO = Operational Risk Disclosure
DPS = Sharia Supervisory Board Quality
EDD.DPS = Multiplication variable between the board of directors' effectiveness and the sharia supervisory board's quality, which describes the moderating variable's effect.
PRO.DPS = Multiplication variable between operational risk disclosure and the quality of the Sharia supervisory board, which describes the effect of the moderating variable
e = *Error term* (rate of estimation error in the study)
i = Company data
t = Period data

Table 1. Measurement of Research Variables

| Variable | Operational definition | Measurement | Measurement Scale |
|---|---|---|---|
| Independent variable | | | |
| Effectiveness of the Board of Directors ($X_1$) Al-Malkawi et al. (2014), Neifar et al. (2020) | Board of Directors Effectiveness Index | Total number of board committee recommendations respected by the bank/11 | Ratio |

| Variable | Operational definition | Measurement | Measurement Scale |
|---|---|---|---|
| Operational Risk Disclosure ($X_2$)<br>Neifar et al. (2020). | Index of the quantity of OR Disclosure | An index measuring the quantity of OR disclosure for the bank (number of sentences (OR) | Ratio |
| Dependent variable | | | |
| Bank Performance (Y)<br>Mollah & Zaman (2015), Abdallah & Bahloul (2021) | Return on Assets (ROA) | Net Income/average total asset | Ratio |
| Moderating variable | | | |
| Sharia Supervisory Board Quality (Z)<br>Al-Malkawi et al. (2014), Ajili & Bouri (2018), (Neifar et al., 2020) | Shari'ah Supervisory Board Index of the SSB Quality | Total number of SSB recommendations respected by the bank/4 | Ratio |
| Control Variable | | | |
| Islamic bank age<br>Nurwati et al. (2014), Abdallah & Bahloul (2021) | sustainability shariah bank | Total of years since Islamic bank was founded | Ratio |

## Results and Discussion

*Data analysis results*

Results of classical assumptions using Minitab are presented as follows: (1) The normality test of the data shows that the data is standard because it is close to the average; (2) Durbin-Watson shows = 1.45702, dL is 1.5035, and dU is 1.6960, so there is no autocorrelation. Below or around the number 0, thus it can be concluded that there is no heteroscedasticity problem. (3) If the VIF value is less than 10, the regression model is free from multicollinearity (Table 2). Overall, the regression model is good, and the ideal can be met.

Table 2. Multicollinearity Test Results

| Variable | VIF |
|---|---|
| Effectiveness of the Board of Directors | 5.372 |
| Operational Risk Disclosure | 1.317 |
| Islamic bank age | 1.843 |

Table 3. Moderate Regression Results

| Predictor | Coef | SE Coef | T | P |
|---|---|---|---|---|
| **Constant** | 0.005393 | 0.001016 | 5.31 | 0.000 |
| **EDD** | -0.003420 | 0.004488 | -0.76 | 0.451 |
| **PRO** | -0.00014385 | 0.00002033 | -7.07 | 0.000 |
| **EDD_KDPS** | 0.003136 | 0.005502 | 0.57 | 0.572 |
| **PRO_KDPS** | 0.030105 | 0.001431 | 21.04 | 0.000 |
| **Age_P** | 0.00001120 | 0.00004283 | 0.26 | 0.795 |

Table 3 presents a moderate regression analysis. The positive effect of the board of directors' effectiveness on bank performance has P > 0.05, so hypothesis 1 is rejected. The

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positive impact of operational risk disclosure on bank performance has $P < 0.05$, so hypothesis 2 is accepted. The quality of the Sharia supervisory board strengthens the impact of the board of directors' effectiveness on bank performance having $P > 0.05$, so hypothesis 3 is rejected. The quality of the Sharia Supervisory Board strengthens the effect of operational risk disclosure on bank performance having $P < 0.05$, so hypothesis 4 is accepted. Bank age as a control variable does not affect bank performance.

The board of directors' effectiveness does not positively affect the performance of Islamic banks. Many board directors sometimes make the bank ineffective (Mollah & Zaman, 2015). Increasing the board of directors has a detrimental effect on the profitability of Islamic banks; their role will not be influential (Aslam & Haron, 2020). An increase in the board of directors harms the company's performance. Increasing the number of board directors will make banks more complex (Jensen, 1993). As the size of the board of directors increases, the board of directors becomes less effective in management oversight because the problem of free-riding (overlapping) between directors increases more time in making decisions, so agency costs increase (Al-Malkawi & Pillai, 2018; Adams & Mehran, 2012).

In addition, the high information asymmetry between the board of directors will negatively affect performance when increasing the board of directors (Abdallah & Bahloul, 2021). Ajili & Bouri (2018) state that the quality of the board of directors can reduce the performance of Islamic banks due to a weak system when recruiting members of the board of directors. The presence of the board of directors at a high board meeting can increase financing. This presence can make directors reluctant to fulfill monitoring and supervisory duties (Meslier et al., 2020). This condition can make performance decrease. The inappropriate composition of independent boards of directors also has an effect. There are minimal separate boards of directors that comply with the requirements and regulations. The board of directors' effectiveness will be more miniature and reduce the bank's performance. In addition to the board of directors' size, the board of directors' dual function can also reduce the board of directors' effectiveness and bank performance. So, the composition of the board of directors, which has dual functions, must be considered. This study does not support the tests that have been carried out by Abdallah & Bahloul (2021), Neifar et al. (2020), and Wijayanti et al. (2020), which states that the board of directors has a positive influence on the performance of Islamic banks. This is due to the good qualifications of the board of directors during recruitment. Many boards of directors will improve the bank's performance because of the significant ability to monitor management.

Disclosure of operational risk harms performance. When the revelation of operational risk is high, the performance of Islamic banks decreases. Operational risk is the primary source of financial distress in banking (Neifar et al., 2020). Operational risk at a high level will affect performance decline (Ko et al., 2017; Abdallah & Bahloul, 2021). Company losses can be traced through operational risk (Ko et al., 2017). Investors will see the negative side of too many operational risk disclosures. With the high level of operational risk in companies potentially experiencing high operating losses, regulators have pressured the banking industry to improve how they manage their operations (Ko et al., 2017). Operational risks can be detected and prevented. Active risk management can identify cost-effectiveness and benefits (Ko et al., 2017). Kothari et al. (2009) stated that risk disclosure is designed to convey unfavorable information about risks and uncertainties. For this reason, managers are biased and avoid disclosing operational risk (Ko et al., 2017). Spindler (2006) states managers tend to prevent harmful disclosures meaningful to investors. However, managers face legal problems if they avoid disclosing operational risks. So, the majority of banks provide information and disclose operational risks.

This study is by Ko et al. (2017) and Abdallah & Bahloul (2021), which state that operational risk can reduce company performance. Investors will see operational risk as a decrease in the company's value. The more operational risks disclosed, the more investors hesitate to invest their funds because operational risk reflects financial distress in banking (Neifar et al., 2020). This study is also by Alshirah et al. (2021). Companies with majority family ownership tend to reduce the risk of adverse information disclosure because it will affect their high-risk and political connections. Exposure harms performance as measured by ROA and ROE. Disclosure will have a negative value, even though making this disclosure increases bank costs. In addition, investors feel that they are awful because banks have exploited them with negative news (Abdallah & Bahloul, 2021). This study does not align with Neifar et al.'s (2020) statement, which states that operational risk disclosure positively affects performance. This is because the management has implemented the principle of transparency by good corporate governance in the banking industry.

The quality of the Sharia supervisory board needs to strengthen the effect of the board of directors' effectiveness on the performance of Islamic banks. Many sharia supervisory boards and boards of directors will make the complexity of the bank high (Al-Malkawi & Pillai, 2018). Many Sharia supervisory boards will generate innovative ideas, policy development, and strong analytical skills to increase profitability (Aslam & Haron, 2020). However, things must be considered. Namely, decision-making is also complicated because it is too difficult to agree on, so it will affect the bank's performance. In addition, the costs incurred will be significant, which will cause a decrease in profits. This study is different from Neifar et al. (2020), who state that the quality of the sharia supervisory board strengthens the effect of the board of directors' effectiveness on the performance of Islamic banks.

The Sharia Supervisory Board's quality strengthens the effect of operational risk disclosure on bank performance. Sharia supervisory board can increase the transparency of Sharia bank information to stakeholders (PBI No 11/33, 2009); Alam et al., 2021). Disclosure of information in the Islamic banking environment is essential to reduce information asymmetry between principals and agents and between Islamic banks and customers (Neifar & Jarboui, 2018; Jensen & Meckling, 1976). A sharia supervisory board will also improve monitoring of the provision of complete information (Farook et al., 2011). This study supports Neifar et al. (2020), which states that the higher quality of the Sharia supervisory board will increase the disclosure of bank operational risks to improve performance and know the actual condition of the bank. Many Sharia supervisory boards will pressure banks to increase active risk disclosure and enhance performance. This study also shows that the control variable of company age does not affect company performance. These results are in line with Albarrak and El-Halaby (2019).

## Conclusion

Good corporate governance is essential in the management of Islamic banks. The function of the Sharia supervisory board and the board of directors must be practical to increase the performance of Islamic banks. Many sharia supervisory boards can increase the transparency of Islamic bank information. Islamic bank information must be disclosed so that stakeholders can understand the condition of Islamic banks and minimize information asymmetry. Various impacts arise when Islamic banks disclose information. Disclosure of positive news will affect a positive response from investors to improve performance.

Meanwhile, the disclosure of negative information will impact negative responses from investors so that it can reduce the performance of Islamic banks. For transparency and improvement of GCG, negative information, such as high disclosure of operational risks, must still be conveyed so that investors and customers can know its condition even though it will harm performance. To protect customers and investors, regulators should issue mandatory

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operational risk disclosures. The high disclosure of operational risk, if conveyed properly through risk identification and anticipation, will have a good impact on the business of Islamic banks. Investors will see another positive side, namely the promotion of transparency.

This research has limitations. First, the index covers only some of the bank's good corporate governance elements. Second, the number of Islamic banks studied still needs to be increased. For this reason, further researchers can add other aspects of good corporate governance, such as audit committees, risk monitoring committees, integrated governance committees, institutional ownership, and managerial ownership.

**Author Contribution**

Yulianti: Writing the draft, Literature review, data collection and analysis, result discussion, and transleter.

Ismawati Haribowo: Data collection and analysis, result discussion, and transleter.

All authors have read and agreed to the published version of the manuscript.

**Declaration of Competing Interest**

We declare that we have no conflict of interest.

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