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# THE ROLE OF ISLAMIC SOCIAL REPORTING IN MEDIATING THE BOARD OF DIRECTORS AND MARKET PERFORMANCE

## ABSTRACT

The goal of this research is to investigate how the influence of the board of commissioners and the board of directors on market performance is mediated by the disclosure of Islamic social reporting. The population under investigation is made up of all the businesses that are listed on the Sharia Stock Index. The researchers employed the proportionate random sampling approach to select 778 organizations out of the minimal sample of 472 companies, as determined by the sample calculation findings using G\*power. The structural equation model (SEM) is the analytical technique employed in this study. The research's hypothesis test result suggests that the board of directors and commissioners greatly improves Islamic Social Reporting. The market's performance is significantly enhanced by the commissioners and board of directors. Business performance increases significantly with Islamic Social Reporting. The board of directors and board of commissioners significantly improve market performance through Islamic Social Reporting. This research adds value by offering fresh perspectives on how the Board of Directors and Commissioners' roles can affect a company's performance in the market when ISR principles are applied. The research's practical implication is that businesses can utilize it to inform the development of improved corporate governance and social responsibility policies and strategies.

**Keywords:** board of directors, board of commissioners, Islamic social reporting, market performance, sharia stock index, structural equation model, sharia enterprise theory

**JEL Classification:** M14, M41, Q56

## INTRODUCTION

The Law Number 40 of 2007's Article 74 governs the social and environmental responsibilities required of businesses engaged in the natural resource industry or those that support it. Businesses are essentially forced by the Islamic Social Reporting movement to evaluate the triple bottom line—that is, the features of the business's finances, social life, and environmental impact—instead of the single bottom line concept of maximizing profit. Islamic Social Reporting disclosure can help companies to enhance their financial performance and image, which may have a positive influence on the market performance of the company (Ghaemi Asl et al. (2024); Kabir and Chowdhury (2023); Mondesir (2023); Naeem et al. (2023)). The expanding recognition of Islamic Social Reporting (ISR), which is linked to market performance by businesses, particularly those listed on the Sharia Stock Index, is one of the significant phenomena in this research. While a large number of studies have examined the impact of ISR on overall company performance, very few address the ways in which ISR influences the interactions between board commissioners and directors and the markets. This suggests the relationship needs more attention, especially on corporations that are already endorsed by Shariah Stock Index.

Data from ESG Intelligence shows that many Indonesian companies have started to embed disclosures of social responsibility in their annual reports (Table 1). Still, there are openings in the divulgence of Islamic qualities. Investigating the impact of open disclosure on increasing investor trust has been studied by Nugraheni and Wijayanti (2017); few recent studies, however, have looked at the relationship between market performance and companies' disclosure of Islamic Social Reporting (ISR) practices. In

order to understand how ISR functions as a mediator between the Board of Directors (BoD), the Board of Commissioners (BoC), and market performance at publicly traded businesses in Indonesia, this research is crucial.

**Table 1. Company that Report Sustainability Report.** (Source: ESG Intelligence, 2024)

Years	Number of Company		Companies that report sustainability reports
	IDX registered	Reporting sustainability reports	
2014	477	74	15.5%
2015	495	76	15.3%
2016	511	76	14.8%
2017	547	78	14.2%
2018	604	81	13.4%
2019	659	93	14.1%
2020	710	157	22.1%
2021	766	274	35.7%
2022	823	731	88.8%
2023	902	874	96.8%

Reasons for selecting objects The selection of public companies in Indonesia as research objects is based on several considerations. First, public companies are bound by stricter regulations on information disclosure, making it an appropriate arena to explore the influence of ISR. Second, with the high level of compliance with Sharia principles in Indonesia, these companies have significant potential to implement ISR as part of their communications strategy. Third, Indonesia's cultural and social context provides a unique background for understanding how Islamic values can influence corporate governance practices and market performance.

## LITERATURE REVIEW

The Sharia Enterprise Theory (SET) acknowledges accountability to a broader range of stakeholders in addition to company owners, who are stakeholders. Allah SWT is the idea that guides the development of the Sharia enterprise philosophy. God, humans, and the natural world are all part of the sharia enterprise idea. Allah is the sole entity that matters in life and the highest party. Every human action needs to be reported to Allah vertically and then to other individuals and the environment horizontally. According to Sharia enterprise theory, by designating Allah as the primary stakeholder, the connecting thread that ensures Sharia accounting will always strive to elevate its customers' divine consciousness is maintained. Instead of placing people at the centre of everything, as in anthropocentrism, Sharia enterprise theory places God at the centre of everything (Aidulsyah, 2023; Muflih, 2021; Siddiq et al., 2023).

### *The relationship of the board of directors towards Islamic Social Reporting (ISR)*

The company's policies and directions, including those regarding social reports, are formulated by the Board of Directors. The Board of Directors actively participates in establishing ISR guidelines to ensure that reports adhere to Islamic values. They are eager to have corporate social reporting procedures that are in line with the moral and social values of the data in ISR reports, in addition to accounting and regulatory requirements. This needs to address social impact reports, data collection monitoring, and the type of information that really goes into them. Research (Mohamed & Elgammal, 2023; Padela et al., 2021) has identified higher levels of Board of Directors oversight as leading to fuller and clearer ISR reporting. Based on research results (Mohamed & Elgammal, 2023; Padela et al., 2021), it can be concluded **H1: The Board of Directors influences Islamic Social Reporting.**

### *The relationship of the board of commissioners to Islamic Social Reporting*

The Board of Commissioners is responsible for monitoring the performance of the Board of Directors and ensuring that the company's social reporting policies and procedures comply with applicable laws and sharia principles. The Board of Commissioners' major role in connection to ISR is to oversee and review the social report's execution to verify that it complies with prescribed sharia standards. In addition to adhering to legal requirements, they must ensure that the company's social and ethical responsibilities are reflected in ISR reports. Research (Sarhan & Gerged, 2023) found that a Board of Commissioners that is active in monitoring and evaluating social reports not only influences the degree of company

compliance with ISR standards, it also reflects shareholder preferences. Based on research results (Sarhan & Gerged, 2023; Selmi et al., 2023), it can be concluded that **H2: the board of commissioners influences Islamic Social Reporting.**

*The relationship between the board of directors and market performance*

Strategic decisions are the Board's resolutions on the directions or performance of the Company. Investment, expansion, product innovation, and marketing strategy will decide a company's trend to be set up in the market. A proper decision might raise a company's competitiveness and give comfort to investors, increasing the share value, while a wrong one reduces performance. (Hasan et al., 2022) depict that a Board of Directors with relevant experiences and skills is likely to make prudent decisions over investment and business strategy and hence has a positive relation with the share price and market performance of companies. Research results of (Hasan et al., 2022; Kilic et al., 2022; Leena Haniffah et al., 2023; Qoyum et al., 2021) show that the board of directors influences Market Performance, so it can be concluded that **H3: The Board of Directors influences Market Performance.**

*The relationship between the board of commissioners and market performance*

It oversees the Board of Directors and mandates that the business operates in a manner that fully serves the interests of its stakeholders, including the shareholders. More stringent oversight by the Board of Commissioners would increase the company's accountability and transparency, improving its standing in the marketplace. After all, the firms that were perceived to be more transparent and responsible were always the ones emerging stronger in the market since, for their investors, the quality and reliability of the information provided was greater. According to (Alshater et al., 2022), an active Board of Commissioners, in the light of its monitoring role and an assessment of managerial performance, may positively affect an increase in the operational efficiency of the company. Good supervision by the Board of Commissioners is needed to avoid irregularities and errors that possibly affect market performance so that stability and attractiveness can be maintained by the company in the stock market. Based on research results (Alshater et al., 2022; Badrul Muttakin et al., 2022; Ghaemi Asl et al., 2023; Shah & Albaity, 2022), it can be concluded that **H4: the board of commissioners influences market performance.**

*The Relationship between Islamic Social Reporting and Market Performance*

Companies that implement ISR will become more attractive to investors who comply with Sharia principles, such as Muslim investors and Sharia financial institutions. Having reports showing compliance with sharia principles can expand a company's investor base, which can increase stock liquidity and market performance. As will be shown (Ghaemi Asl & Ben Jabeur, 2024) companies active in ISR receive positive assessments from the market due to the fact that companies have proven to be more transparent and committed to social responsibility. All these factors build investor confidence, boosting share prices, which increases market performance. From the results of the research (Ghaemi Asl & Ben Jabeur, 2024; Naeem et al., 2023), it may be inferred that **H5: Islamic Social Reporting influences Market Performance.**

*The relationship between the board of directors and market performance through Islamic Social Reporting*

The company's ISR policy may be created and carried out by the board of directors. It is anticipated that the company's transparency and accountability will be improved by the regulations established by the Board of Directors regarding the application of Sharia principles in social and environmental reporting. The Board of Directors' ability to successfully incorporate ISR into business strategy can enhance the company's reputation and market appeal, which in turn has a beneficial impact on market performance. Bekele et al. (2024) state that with closer oversight from the Board of Directors, the chances of ISR reports being more accurate and consistent would consequently be higher, since "such consistency can increase investor confidence and stabilize share prices." It follows, therefore, that from the results obtained in the research conducted by (Bekele et al., 2024; Gormley et al., 2023; Harakeh et al., 2023) one is able to enounce the following hypothesis: **H6: The Board of Directors has a significant influence on Market Performance through reporting on Islamic Social Reporting.**

*The relationship between the board of commissioners and market performance through Islamic Social Reporting*

The Board of Commissioners bears the responsibility of guaranteeing the accuracy and adherence to Sharia principles in the company's ISR report. The Board of Commissioners bears the responsibility of guaranteeing the accuracy and adherence to Sharia principles in the company's ISR report. By applying stringent oversight to the social and environmental reports' quality, the Board of Commissioners can improve their transparency and trustworthiness. The reputation of the company in the investor and stakeholder eyes would also increase due to more transparent and high-quality reporting, which might improve market performance. In contrast, (de Villiers et al., 2022) have reported that an active Board of Commissioners on Sharia-based social reports matter in terms of valuation and monitoring brings enhancement of their

transparency and credibility. Greater credibility and transparency of reporting enhance its image to investors, wherein they earn more trust and yield greater share prices and better market performance for the company. Based on the results of the research (de Villiers et al., 2022; García Lara et al., 2022; Jones & Fulop, 2021; Lestari & Soewarno, 2024), it seems that through Islamic Social Reporting, Market Performance is influenced by the board of commissioners, so that it is concluded that **H7: the board of commissioners influences Market Performance through Islamic Social Reporting.**

## AIMS AND OBJECTIVES

The topic under investigation in this study is the world's largest population of Muslims, found in Indonesia. The implementation of Islamic Social Reporting is still thought to have less of an impact on the success of the Islamic market, nevertheless, as the Islamic finance sector is still lagging behind conventional ones. By providing new insights into how the functions of the Board of Directors and Commissioners might impact a company's performance in the market when ISR principles are implemented, this research offers value. By going one step further, our research aids in the identification of specific mechanisms that ISR employs in order to mediate the relationship between corporate governance and market performance. Islamic social reporting is a novel intervention variable in the study since it requires financial allocation to be disclosed, necessitating an evaluation of its efficacy in an attempt to boost market performance. The goal of this research is to investigate how the influence of the board of commissioners and the board of directors on market performance is mediated by the disclosure of Islamic social reporting.

## METHODS

The methodological approach followed in this investigation is associative, quantitative, casual, and descriptive. In the quantitative approach, the research delves into specific populations or groups by gathering data through research tools in a systematic way and conducting a quantitative or statistical analysis of the latter to assess previously established hypotheses. Descriptive research uses data-collecting approaches to describe or demonstrate the object under investigation using sample data that is obtained exactly as it is. Quantifying the degree of association between two or more variables and indicating the direction of the relationship between the independent and dependent variables are the objectives of causality research. Put another way, causality research highlights problems with the cause-and-effect link (Sugiyono, 2016).

Several significant factors are taken into account while choosing companies featured on the Sharia Stock Index to serve as research subjects. First of all, by making a clear commitment to Sharia principles, these businesses make it easier to analyze the connection between social responsibility and corporate governance in a uniform and standardized setting. Secondly, the corporations included in this index provide more comprehensive and pertinent data for this research, as their reports and information about their ISR practices are more transparent. By concentrating on this industry, studies can offer more in-depth, targeted insights into how the Board of Directors and Board of Commissioners affect market performance through ISR policies that Islamic businesses implement.

### *Population and Sample*

All of the companies listed on the Sharia stock index in 2024 make up the population of this study. G\*power is used in this study to calculate the sample size (Sofyani, 2023). Testing both the direct and indirect effects of the independent variable (X) through the mediating variable (Z) on the dependent variable (Y) is part of the mediation model. G\*Power ensures that mediation analyses may be carried out with high precision by allowing the necessary sample size to be determined based on the anticipated effect sizes for these two types of effects (Faul et al., 2007).

In order to identify significant mediation effects, G\*Power assists in determining the sample size required to acquire sufficient statistical power. In mediation research, complicated connections between variables are commonly involved, hence large adequate sample sizes are needed to accurately discover these effects.

Testing both the direct and indirect effects of the independent variable (X) through the mediating variable (Z) on the dependent variable (Y) is part of the mediation model. G\*Power ensures that mediation analyses may be carried out with high precision by allowing the necessary sample size to be determined based on the anticipated effect sizes for these two types of effects (Faul et al., 2007).

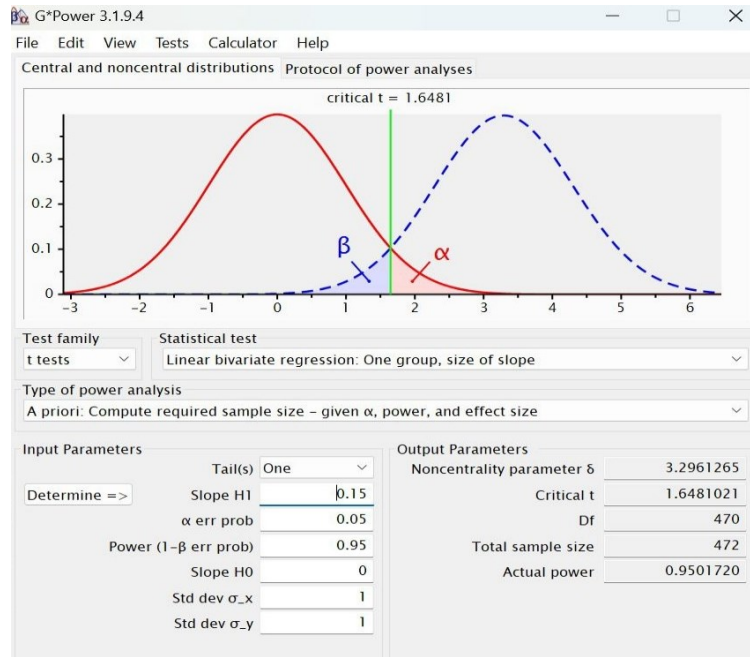


Figure 1. G\*power sample calculation result. (Source: Data processed, 2024)

Based on the results of sample calculations using G\*power, the minimum sample size is 472 companies, so the researchers used 778 companies using the proportional random sampling method.

### Operational Definition of Variables

1. The board of directors (X1) refers to the number of members that the board of directors headed by a company has. In this case, a measure can be taken by calculating the number of members of the board of the company listed in the annual report of the company El-Chaarani (2014).

Size of the board of directors =  $\sum$  Board of Directors

2. Board of Commissioners (X2) means the quantity recorded from the number of members of a firm's board of commissioners through a count from the annual report of the firm that listed its members on the board of commissioners Ozdemir et al. (2023).

Size of the board of commissioners =  $\sum$  Board of Commissioners

3. Islamic Social Reporting (Z) which can be measured by the value (score) of the ISR index in each Sharia company Othman and Thani (2010).

$$ISR = \frac{\text{Number of disclosure scores that are met}}{\text{Maximum total disclosure score}}$$

4. Market performance is measured by this formula to measure the company's financial performance based on the market. The formula used is Tobin's Q with details of the formula as follows Klapper and Love (2002).

$$\text{Tobin's Q} = \frac{(EMV+D)}{(EBV+D)}$$

Information: *Q* – Company performance, measured by the Tobin Q ratio; *EMV* – Equity market value, obtained by multiplying the closing share price at the end of the year by the number of shares outstanding; *D* – Book value of total debt; *EBV* – Book value of total equity

### Data Analysis Methods

The data analysis approach used in this study was structural equation modelling or SEM analysis. For this project, Smart PLS software will be used to achieve data organization. Structural equation modelling, or SEM, is one strategy for resolving issues with the regression methodology Ghazali (2014); Hair et al. (2021).

Structural Equation Modelling (SEM), a multivariate analysis method that combines aspects of multiple regression and component analysis, allows researchers to assess several related dependency connections simultaneously. Structural equation modelling, or SEM, allows researchers to include unobservable variables that are quantified indirectly by indicators (Hair et al., 2021).

## RESULTS

Sharia equities that are listed on the IDX make up the Indonesian Sharia Stock Index (ISSI), a composite index. The performance of the IDX-listed Sharia stock market is assessed by the ISSI. The Sharia Securities List (DES), which is available on the IDX's main board and development board and is made public by the OJK, is where all of the Sharia shares that comprise the ISSI are listed. ISSI constituents are re-selected twice a year, in May and November, following the DES review timetable. Sharia shares as a result consistently depart from or join ISSI members during the selection process. Other IDX stock index computing approaches employ a weighted average of market capitalization as the basis year for the ISSI calculation procedure, which uses December 2007.

### Descriptive Statistics

After analyzing the research data, the next stage is processing descriptive statistical data for the research variables. The results of descriptive statistical data processing for research variables appear in Table 2 below.

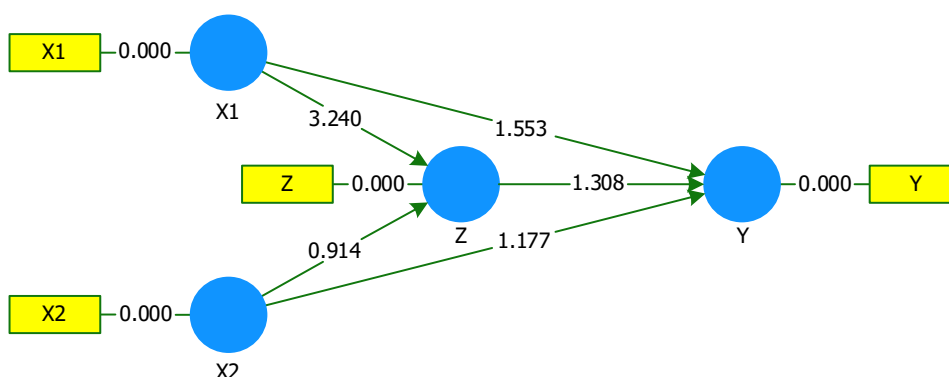
**Table 2. Descriptive Statistics Result.** (Source: Data processed, 2024)

Information	X1	X2	Z	Y
Min	1	2	-4.17876848	0.02061856
Max	6	11	4.19750735	0.95921702
Mean	3.79306	4.88946	0.122071084	0.27192933
Std. Dev.	1.12288	2.710511	0.510030899	0.17012683

The average mean value of the board of directors' variable is 3.79. The board of directors' variable has a range of 1 to 6. 1.12 is the standard deviation. The average value of the Board of Commissioners variable comes at an average of 4.88. The board of commissioners' variable might have values as low as 2 or as high as 11. There is a 2.71 standard deviation. The variable Islamic Social Reporting has a mean value of 0.12. The Islamic Social Reporting variable has a value between -4.17 and 4.19. A standard deviation of 0.51 is present. The mean, or average value, for the market performance variable is 0.27. The range of values for the market performance variable is 0.02 to 0.95. There is a 0.17 standard deviation.

### Partial Least Square

The research hypothesis can be addressed with the help of the data processing results. This study's hypothesis testing process included looking at T-statistics and P-value values. Acceptance of the study hypothesis is contingent upon P-values being less than 0.05. The outcomes of the hypothesis testing that this study's internal model allowed are listed below (Figure 2):



**Figure 2. Result Test.** Note: X1: Board of Directors; X2: Board of Commissioners; Z: ISR; Y: Market Performance.

We may next ascertain the direct and indirect effects of the link between the variables based on the findings of the study hypothesis testing model, as depicted in the above image.

### ***Results of Testing the Influence Between Variables***

The results of testing the direct influence of the relationship between variables can be seen in the following Table 3.

**Table 3. Influence Between Variables.** (Source: Data processed, 2024)

Hypothesis	Variable	Path Coefficients	P-value	Result
H1	Board of Directors – ISR	0.121	0.001	Significant
H2	Board of Commissioners – ISR	0.039	0.036	Significant
H3	Board of Directors – Market Performance	0.052	0.021	Significant
H4	Board of Commissioners – Market Performance	0.041	0.024	Significant
H5	ISR – Market Performance	0.060	0.019	Significant
H6	Board of Directors – Market Performance through ISR	0.007	0.003	Significant
H7	Board of Commissioners – Market Performance through ISR	0.002	0.000	Significant

Based on Table 3, the influence between variables directly and indirectly shows significant results with a p-value of less than 0.05 and the direction of the coefficient shows a positive direction.

## **DISCUSSION**

### ***The Influence of the Board of Directors on ISR***

According to the findings of the research hypothesis test, the Board of Directors significantly improves ISR. The ability of the board to monitor an organization will grow with the number of members on it since meaningful interactions between stakeholders and the company often lead to higher levels of disclosure and increased information production. The effective application of ISR is facilitated by a Board of Directors that takes the initiative to promote and incorporate sharia principles into corporate policies and strategic choices. The Board of Directors' participation and support can guarantee that the business follows ISR guidelines and incorporates them into its overall strategy. To ensure that Sharia principles are incorporated into every facet of the business's operations, the Board of Directors develops policies and strategies that aid in the application of ISR. The Board of Directors supervises the ISR policy's execution and assesses its efficacy. This aids in recognizing and resolving any obstacles to the ISR implementation process. Research by Ashraf et al. (2022); Gillborn et al. (2022); Hallwright and Handmer (2021); Rogerson et al. (2024); Tweedie and Luzia (2023) shows that the Board of Directors has a positive effect on ISR.

### ***The Influence of the Board of Commissioners on ISR***

The Board of Commissioners significantly improves ISR, according to the findings of research hypothesis testing. The board of commissioners, as the organ of the company, provides supervision and control of the management undertaken by the directors of the company. It also ensures that the directors develop internal controls of the company and conduct them to good fulfilment. To guarantee that ISR principles are applied consistently and successfully, the Board of Commissioners is crucial. In its capacity as supervisors, the Board of Commissioners oversees and evaluates the execution of the ISR policies set out by the Board of Directors, making certain that these policies are in line with sharia principles and business requirements. The Board of Commissioners ensures that the company complies with ISR principles and identifies and addresses potential problems in its implementation. The Board of Commissioners can set standards and guidelines relating to ISR, ensuring that all company practices are in line with Sharia principles. By increasing transparency in ISR reporting, the Board of Commissioners contributes to stakeholder trust and improves company integrity. Research by Hassan et al. (2022); Setyawati et al. (2024); Shahid et al. (2022); Umar (2024); Widiastuti et al. (2022) shows that the Board of Directors has a positive effect on ISR.

### ***The Influence of the Board of Directors on Market Performance***

The results of the research hypothesis test show that the Board of Directors significantly and favourably affects Market Performance. Therefore, for ethical identity disclosure as well as for the building of stakeholder trust in the organization, it is vital that different components of corporate governance work together because the responsibilities and roles of the

board of directors largely affect the decision-making of the stakeholders. Policies and strategies of an organization along with its future directions are decided by the board of directors. The decisions of the Board of Directors will most likely have a really strong effect on the performance of the company in the market regarding innovation, product development, and market penetration. The Board of Directors is responsible for voting for strategic policies that could affect the organization's competitive power and market positioning. Better policies will automatically raise market expansion or operational efficiency, which is bound to boost market performance. The growth prospects and profitability of the company can further be raised by wise investment decisions in new product development or strategic acquisitions made by the Board of Directors, which in turn raises salutary effects on market performance. A Board of Directors that successfully manages risk and overcomes challenges during times of uncertainty will ensure better market performance, allowing the company to remain stable. Research Ahmad et al. (2024); Gale et al. (2022); Thoradeniya et al. (2022); Tjahjadi et al. (2021); Wicaksono et al. (2024) shows that the Board of Directors has a positive effect on Market Performance.

### ***The Influence of the Board of Commissioners on Market Performance***

The research hypothesis test results indicate that the Board of Commissioners considerably raises market performance. The size of the board of commissioners is a significant factor that influences how well it can carry out the corporation's duties. The CEO will be able to exert control more easily with a larger number of board members, which will enhance the efficiency of oversight. The Board of Commissioners has major duties, including implementing good governance and the company's commitment to policies that affect market performance. The Board of Commissioners has the role of overseeing the implementation of the organization's programs related to policy compliance, which plays a major role in organizational financial performance and reputation. It ensures actively that the firm complies with all the relevant legislations and standards to avoid any legal and reputational risks that might have implications on market performance. In addition, the Board has policies that enable accountability, transparency, and ethics in business conduct. Investor and market perceptions are influenced by these practices, which also help the company's reputation. To enhance operational effectiveness and financial outcomes, which in turn affect market performance, the Board of Commissioners is involved in authorizing and overseeing the implementation of corporate initiatives. Research (Aidulsyah, 2023; Madah Marzuki et al., 2023; Mufiih, 2021; Siddiq et al., 2023) shows that the Board of Directors has a positive effect on Market Performance.

### ***The Influence of ISR on Market Performance***

According to the findings of the research hypothesis test, ISR significantly improves market performance. Companies that operate under the principles of sharia are intimately associated with the concept of corporate social responsibility (CSR) in Islam, and it is believed that these businesses would be able to execute CSR in an Islamic way. Sharia financial institutions, being commercial organizations adhering to Islamic principles in all aspects of their operations, have frequently encountered social responsibility concerns. In fact, good ISR practices mean an increased reputation and image for a company, both for the general public and investors, which may raise the attractiveness of the shares of the firm. Investors are willing to trust and become interested in firms that show concern for social responsibility and ethics; hence, increasing demand for shares and influencing their market performance. The satisfaction of all stakeholders, like customers, employees, and the local community, increases with the implementation of ISR. It probably improves market performance. Companies that implement ISR typically have more transparent reporting, which helps build trust among investors and stakeholders. By adhering to ISR principles, companies can reduce reputation risks and social conflicts that can negatively affect market performance. ISR practices are often associated with sustainability strategies that support long-term growth and company stability, which is positive for market performance. Research by Alam and Miah (2024); Ozdemir et al. (2023); Qoyum et al. (2022); R'boul (2021); Rabbani et al. (2021) shows that ISR has a positive effect on Market Performance.

### ***The Influence of the Board of Directors on Market Performance through ISR***

The results of the research hypothesis test show that through ISR, the Board of Directors considerably raises Market Performance. One method to reveal information or reports on company activity is to cite the Islamic Social Reporting (ISR). According to the Islamic Social Report (ISR), since corporate social responsibility reporting in the conventional system mostly focuses on material and moral issues, spiritual components must also be the emphasis of social responsibility reporting. ISR acts as a mediator in the connection between the Board of Directors and market performance. This suggests that the Board of Directors' role in developing and supervising ISR policies improves the company's performance in the market. Good ISR procedures reduce risks to the public and environment, increase a business's reputation, and make it more marketable. Investors may see the company more favourably if the Board of Directors adopts policies that uphold ISR values like ethics, sustainability, and social responsibility. A good market assessment is a result of the company adhering to social obligations and defined criteria, which is overseen by the Board of Directors in the implementation of the ISR policy. Companies can manage social and environmental risks with the assistance of a board of directors that supports ISR procedures, which can lower market uncertainty and boost stock performance. Research by Işık and Keçeci

(2024); Karim et al. (2022); Kolkailah (2023); Nazneen et al. (2023); Petoft et al. (2024) shows that the Board of Directors has a positive effect on Market Performance through ISR.

### ***The Influence of the Board of Commissioners on Market Performance through ISR***

The Board of Commissioners significantly improves ISR through ISR, according to the findings of research hypothesis testing. In addition to reporting on the environmental interests of minorities and employees, Islamic Social Reporting places a higher priority on social justice than environmental reporting. It is therefore anticipated that the concept of Islamic social reporting will provide a new angle on Islamic corporate reporting and act as a conduit between this world and the afterlife, educating people about the links between earthly endeavours and life beyond death. In the interaction between the Board of Commissioners and market performance, ISR serves as a mediator. This indicates that by enhancing the company's credibility and reputation and enhancing risk management, a Board of Commissioners actively involved in advocating and overseeing the adoption of ISR helps to improve the company's market performance. The Board of Commissioners ensures that the company implements an ISR policy that is by sharia principles, which can improve the company's reputation and increase market confidence. By supporting transparent and accountable ISR policies, the Board of Commissioners assists companies in increasing the transparency of financial and non-financial reports, which contributes to positive assessments from the market. A Board of Commissioners active in ISR can identify and manage social and reputation risks, which can reduce market uncertainty and improve stock performance. Research Ashraf et al. (2022); Gillborn et al. (2022); Hallwright and Handmer (2021); Rogerson et al. (2024); Tweedie and Luzia (2023) state that the board of directors and board of commissioners influence market performance through Islamic Social Reporting through profitability. These studies argue that effective implementation of ISR principles improves a company's transparency, reputation, and legitimacy, which in turn has a positive impact on market performance. However, there is a research gap in research from Wicaksono et al. (2024) showing contradictory results that the board of directors and board of commissioners do not influence market performance through Islamic Social Reporting. This study demonstrates that while ISR policies are in place, their actual use may not be as successful in enhancing market performance as anticipated. A lack of support for the policy's implementation from the Board of Directors or Board of Commissioners is one of the possible causes of this.

## **CONCLUSIONS**

The study's findings demonstrate that the board of commissioners and directors significantly improve Islamic social reporting. On market performance, the board of directors and board of commissioners have a major favourable impact. The performance of the market is significantly improved by Islamic Social Reporting. Through Islamic Social Reporting, the board of directors and board of commissioners significantly improve market performance. This study shows that implementing ISR to improve market performance requires the Board of Directors and the Board of Commissioners. An organization's market performance can be supported by the effective use of ISR principles, which can boost a company's legitimacy, reputation, and investor trust. This study offers practical recommendations for companies and decision-makers, while also substantially expanding our understanding of the role that corporate governance plays in the context of social responsibility.

One practical use of the findings is that companies can use it as a basis for developing better corporate governance and social responsibility policies and plans. By incorporating the Board of Directors and Board of Commissioners in the implementation of these policies more effectively, businesses can employ ISR principles to improve their market performance and reputation. This study may motivate businesses to create ISR communication plans that are more successful. Companies can boost stakeholder and investor confidence by clearly disclosing ISR adoption, which improves market performance. The study's focus remains on a single phenomenon over a limited period, which is one of the research's weaknesses that affects the findings. It is planned that other study period samples—for instance, a research period spanning many years—will be added so that future researchers can explain more specific conditions.

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## **ADDITIONAL INFORMATION**

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### **AUTHOR CONTRIBUTIONS**

*All authors have contributed equally.*

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## CONFLICT OF INTEREST

The Authors declare that there is no conflict of interest.

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## РОЛЬ ІСЛАМСЬКОЇ СОЦІАЛЬНОЇ ЗВІТНОСТІ В ПОСЕРЕДНИЦТВІ РАДИ ДИРЕКТОРІВ І РИНКОВИХ ПОКАЗНИКАХ

Метою цього дослідження є вивчення того, як розкриття ісламської соціальної звітності функціонує як посередник між впливом ради директорів і ради вповноважених на ринкові показники. Усі компанії, які включені в Шаріатський

фондовий індекс, складають досліджувану сукупність. За результатами розрахунків вибірки з використанням G\*power мінімальний обсяг вибірки становить 472 компанії, тому дослідники використовували 778 компаній за методом пропорційної випадкової вибірки. Метод аналізу даних, використаний у цьому дослідженні, – це модель структурних рівнянь (SEM). Результати дослідження показують, що ісламська соціальна звітність значно посилюється радою вповноважених і директорів. Рада директорів і комісари значно покращують показники ринку. Ісламська соціальна звітність значно підвищує ефективність бізнесу. Рада директорів і рада вповноважених значно підвищують показники ринку за допомогою ісламської соціальної звітності. Це дослідження додає цінності, пропонуючи свіжий погляд на те, як ролі Ради директорів і комісарів можуть вплинути на продуктивність компанії на ринку при застосуванні принципів ISR. Практичне значення дослідження полягає в тому, що компанії можуть використовувати його для інформування про розробку вдосконаленої політики та стратегій корпоративного управління й соціальної відповідальності.

**Ключові слова:** рада директорів, рада комісарів, ісламська соціальна звітність, ефективність ринку

**JEL Класифікація:** M14, M41, Q56