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Research Article

The Influence of the Characteristics of the Board of Directors on the Sustainability Performance of Islamic Banking in Indonesia

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ABSTRACT

This study aims to analyze and examine the influence of the characteristics of the board of directors which include the size of the board of directors, board of directors-meetings and the age of the board of directors on sustainability performance with institutional ownership as a moderator. This study uses a quantitative method with data taken from Sharia Commercial Banks in Indonesia registered with the Financial Services Authority (OJK) for the period 2017 to 2023 which have issued annual reports and sustainability reports. Sample selection was carried out using the purposive sampling method and the data was analyzed using panel data regression techniques and Moderate Regression Analyze (MRA). The results of his research show that the size and meetings of the board of directors have a significant and positive influence on sustainability performance, while the age of the board of directors has no effect on sustainable performance. The results of the study also show that institutional ownership is not able to moderate or strengthen the relationship between board of directors-characteristics and sustainability performance Extensive empirical evidence has examined the relationship between corporate governance variables and sustainability performance. This research deepens by focusing on the influence of the characteristics of the board of directors (size, meetings, and age of the board of directors) on the sustainability performance of Sharia Commercial Banks in Indonesia and adding the institutional ownership variable as a moderator.

Keywords: Sustainability; Performance; Board of Directors; Institutional Ownership; Sharia Banks

1. INTRODUCTION

Sustainability is a major focus that is getting more and more attention, including in Indonesia with the aim of ending poverty, protecting the earth, and ensuring welfare. This encourages increased awareness of social responsibility, including global warming and human rights issues (Tjahjadi et al., 2021).To achieve this goal, both companies, including Islamic financial institutions, need to pay attention to relationships with all parties for sustainable growth(Puspitasari & Kasri, 2023).

Islamic banking is getting more and more attention because of its different concept from conventional banking (Khan et al., 2023). In accordance with Law No. 21 of 2008, Islamic banks operate based on sharia principles regulated in the Fatwa of the Indonesian Ulema Council, such as justice, balance, and benefit, and avoid haram practices such as usury and maysir. Islamic banks have a responsibility to society and the environment because they have a relationship with God, humans, and the environment (Mubarak et al., 2019). Islamic banks have the potential to have a greater advantage in implementing sustainability because maqasid sharia is in line with sustainable development, which includes economic development, social and environmental sustainability. According to Yadegaridehkordi et al., (2023),in operations. Sustainability performance of a company is measured by its ability to fulfill its responsibility for the course of business carried out in supporting economic, social and environmental welfare (Tristanto & Fatwara, 2021).Sustainability performance in Islamic banks is related to their awareness of environmental and social issues that are well implemented through actions (Miranti & Oktaviana, 2022). In Indonesia, sustainability performance is regulated based on POJK No. 51/POJK.03/2017 regarding the Implementation of Sustainable Finance and Law No. 32 of 2009 concerning Environmental Protection and Management, which emphasizes the importance of Islamic banks meeting sustainability performance (Tristanto & Fatwara, 2021).

However, according to Fachrunnisa, (2020), the sustainability performance of Islamic banks in Indonesia is still low due to the lack of legitimacy in the policies and decisions of leaders. Previous research also shows that sustainability disclosures between 2012-2019 averaged only 48%, with the highest score on the economic aspect. Therefore, Islamic banks need to prioritize the implementation of sustainability performance (Pramono et al., 2021).. This is because sustainability performance is inseparable from the implementation of good governance, which plays an important role in aligning stakeholder interests and increasing long-term success. In Islamic banking, sharia governance ensures compliance with Islamic principles and the achievement of maqashid sharia in its operations (Puspitasari & Kasri, 2023). However, according to Fachrunnisa, (2020),, the sustainability performance of Islamic banks in Indonesia is still low due to the lack of legitimacy in the policies and decisions of leaders. Previous research also shows that sustainability disclosures between 2012-2019 averaged only 48%, with the highest score on the economic aspect. Therefore, Islamic banks need to prioritize the implementation of sustainability performance (Pramono et al., 2021). This is because sustainability performance is inseparable from the implementation of good governance, which plays an important role in aligning stakeholder interests and increasing long-term success. In Islamic banking, sharia governance ensures compliance with sharia principles and the achievement of maqashid sharia in its operational activities (Puspitasari & Kasri, 2023).

One important factor that can improve sustainability performance is the board of directors, because it is the main body of the governance structure and is responsible for protecting stakeholder interests, supporting decision making and ensuring company profitability. In addition, its role includes fulfilling interests through social responsibility, monitoring and control (Wijayanti & Setiawan, 2023).. Based on stakeholder and agency theory, it shows that the board can improve performance by aligning the interests of the company and stakeholders (Gardazi et al., 2023). The focus of the research, board characteristics include board size, board meetings, and board age. A large board size increases oversight and control, and reduces overlap in operations (Umbing et al., 2022). A larger board size allows members to focus on their areas of expertise, which increases efficiency and impacts performance. Gardazi et al., (2023) showed that a large board size can improve sustainability performance. In addition, regular board meetings can improve strategy and put pressure on management through close supervision in driving improved sustainability performance. Kouaib et al., (2020) and Kwarteng et al., (2023),show that board meetings have a significant positive impact on sustainability performance. The age of the board of directors can also affect sustainability performance, easier members are more flexible to change (Herawaty et al., 2021).However, according to Komariah, (2022) older members have judgment and experience that can avoid risks that may arise in managing sustainability.

This research has several literature contributions in governance and sustainability performance by providing information on the importance of understanding board characteristics consisting of board size, board meetings and board age. The renewal of this research which is a differentiator between previous studies is that it discusses the characteristics of the board of directors in the form of age, proposed by oleh Gardazi et al., (2023), who expect future research to examine the variable age of the board of directors on sustainability performance. In addition, several previous research searches that discuss sustainability performance in Islamic banking are still limited, previous studies, such as Gardazi et al., (2023); Disli et al., (2022); Kwarteng et al., (2023);and Iliemena-Ifeanyi et al., (2023),only examine sustainability performance in general research on companies, this study examines sustainability performance at Islamic Commercial Banks. Furthermore, unlike previous studies that analyzed sustainability performance in Islamic banking individually, such as Widodo & Widarjo, (2024) which focused on the board of directors on social performance. This study combines the three dimensions to analyze the effect of board characteristics (size, meetings, and age of the board of directors) on combined sustainability performance. Other differences, research conducted by Afif & Hosen, (2022); Amidjaya & Widagdo, (2020); and Githaiga & Kosgei, (2023), focused on financial performance, company performance and sustainability reports. Also, this study examines the characteristics of the board of directors because in previous studies, many Islamic banking contexts focused on the Sharia Supervisory Board which is a distinguishing characteristic from conventional banking.

In addition, research on board characteristics and sustainability performance also shows mixed and inconsistent findings. Gardazi et al., (2023) found a significant correlation between board size and sustainability performance. Chams & García-Blandón, (2019) revealed a significant and positive relationship between sustainability performance and board size and average age of directors across industries. Also, Disli et al., (2022),said that boards that hold frequent meetings result in better sustainability performance. However, other studies, such as Kouaib et al., (2020) dan Kwarteng et al., (2023) found more specific effects depending on the type of sustainability performance. Iliemena-Ifeanyi et al., (2023) dan Almaqtari et al., (2024),show that board size or frequent meetings have a negative impact on sustainability performance. Thus, this study will focus more on the characteristics of the board of directors on the moderating sustainability performance of Islamic Commercial Banks and add institutional ownership as a moderator. Therefore, this study attempts to expand knowledge by providing new evidence through analyzing the relationship between board size, board meetings, and board age on sustainability performance in Islamic banking in Indonesia. As well as analyzing the moderating role of institutional ownership in the relationship between board characteristics and sustainability performance.

The aim is to find out and obtain empirical evidence regarding the effect of board size, board meetings and board age on sustainability performance. Furthermore, to determine the moderating effect of institutional ownership on the effect of these board characteristics on sustainability performance. It is expected that this study will provide benefits in helping to strengthen the governance structure of Islamic banking by optimizing and developing policies on board characteristics to increase transparency, as well as driving improvements in sustainability performance. Furthermore, it provides an understanding of how board characteristics affect sustainability performance that can help make the right investment decisions for investors, as well as raise awareness to support Islamic banks in being socially and environmentally responsible. In addition, enriching the literature and further research can develop more understanding related to the factors that affect sustainability performance in Islamic banking.

2. RESEARCH METHOD

This study uses quantitative research to measure the effect of board characteristics (size, meetings and age of board members) on sustainability performance with institutional ownership as a moderator in Islamic banking. The population in this study is Islamic Commercial Banks in Indonesia which are registered with OJK and have published annual reports and sustainability reports for the period 2017-2023. The sample was selected using purposive sampling technique based on the following criteria: registered with OJK and located in Indonesia, publish financial statements, annual reports and sustainability reports, and disclose data related to sustainability performance. Based on these criteria, 10 Islamic Commercial Banks were selected as samples, namely Bank Muamalat Indonesia, BTPN Syariah Bank, BCA Syariah Bank, KB Bukopin Syariah Bank, Mega Syariah Bank, BJB Syariah Bank, Aceh Syariah Bank, Panin Dubai Syariah Bank, Victoria Syariah Bank, and Riau Kepri Syariah Bank. The following is a table of research samples:

Table 1. Research sample

No.	Sample Criteria Number	Sum
1	Islamic banks registered with OJK located in Indonesia	14
2	Islamic banks that have published financial reports, annual reports 2017-2023 and sustainability reports, and disclose data related to sustainability performance	(4)
Total Islamic Commercial Banks		10
Research period		7
Total Final Research Sample		70

Source: Data processed by researchers, 2024

The dependent variable in this study is sustainability performance. According to Werastuti, (2022) Sustainability performance is performance on social, economic, and environmental aspects. So that the disclosure uses economic, environmental, and social aspects whose indicators or items are based on the guidelines in POJK No. 51 / POJK.03 / 2017. Measurement using content analysis, which is a method of codifying a text (content) of some writing into various groups or categories based on certain criteria. Measurement uses a dummy code, namely "0" indicates that the bank does not report the item and code "1" implies disclosure of the item, then each item code is summed up and divided by the total amount based on the guidelines (Hussain et al., 2018).

Measurement of the independent variable, the size of the board of directors uses the same number of board members as the research formula conducted by (Diana et al., 2024). For board of directors meetings, it is measured by the number of attendees of the board of directors at meetings held or held by the company (Umbing et al., 2022)And using the average age of the board of directors as a measure of the age of the board of directors. in addition, it also includes moderating variables as an update from previous research. The moderating variable is institutional ownership as the total proportion of company shares owned by institutions such as insurance, banks, investment companies and other institutional ownership (Bernandhi, 2014).. Measured using the proportion of institutional investor shares to total shares by looking at the percentage of shares owned by the institution. The operational variables in the study are presented in the table as follows:

Table 2. Operational Variables

Variable Type	Variable	Symbol	Indicator
Dependent Variable	Sustainability Performance	KK	According to Werastuti, (2022). Sustainability performance is performance on social, economic, and environmental aspects. For measurement using a dummy code: "0" indicates that the bank did not report the item. And a dummy code of "1", on the other hand, implies disclosure of the item. $SP = \frac{\text{Total number of item codes}}{\text{T. disclosure score}}$
Independent Variable	Board Size	UKDD	D Size=∑ ⟦Board of Directors=Number of Members of the Board of Directors⟧
	Board of Directors Meeting	RDD	$RDD = \sum \text{Board of Directors Meeting}$
	Age of Board of Directors	USDD	$Average\ UDD = \frac{\text{Total Board Age}}{\text{Number of Board of Directors}}$
Moderating Variable	Institutional Ownership	KI	Institutional ownership = the proportion of institutional investor shares to total shares by looking at the percentage of shares owned by institutions. $KI = \frac{\text{Number of Shares heldi}}{\text{Number of shares outstanding}} X\ 100\%$.

The data collection method of this research uses document analysis, which involves collecting literature data and secondary data. Literature data was obtained from trusted sources such as books, journals, and other references relevant to the research topic. Meanwhile, secondary data was collected from annual reports and sustainability reports published by Islamic banks for the period 2017-2023, which can be accessed through the official website of each Islamic commercial bank in Indonesia. Data collection through a combination of cross section and time series, namely integrating several research subjects in a period of more than one year (Nilamsari, 2014).

The data analysis method uses quantitative analysis with the help of Eviews 12. The technique used is panel data regression to test the effect of independent variables on the dependent variable. The analysis includes several steps: First, Descriptive Statistical Analysis, is an analysis conducted to describe the data as it is so that conclusions can be drawn (Ghozali, 2016). Describes the data by presenting the average value (mean), standard deviation, minimum and maximum values. Second, Panel Data Regression Model Estimation, Panel data regression analysis provides more accurate estimates because unobserved variables can be controlled (Widarjono, 2013). The panel data regression model based on Khan et al. (2023) model for board characteristics and sustainability performance as follows using the symbol directly:

$$KK_{it} = \alpha + \beta_1 UKDD_{it} + \beta_2 RDD_{it} + \beta_3 USDD_{it} + \mu_{it}.$$

To test the moderating role of institutional ownership, the model used adopts from Khan et al. (2023) as follows by directly using the symbols listed above:

$$KK_{it} = \alpha + \beta_1 UKDD_{it} + \beta_2 RDD_{it} + \beta_3 USDD_{it} + \beta_4 UKDD{*}KI_{it} + \beta_5 RDD{*}KI_{it} + \beta_6 USDD{*}KI_{it} + \mu_{it}$$

Third, Model Fit Test, using the Chow test, Hausman test, and Lagrange Multiplier test to choose the right model between the Common Effect Model (CEM), Fixed Effect Model (FEM), or Random Effect Model (REM). Fourth, Classical Assumption Test, ensuring that the regression model meets the assumptions of normality, multicollinearity, autocorrelation, and heteroscedasticity. And finally, Hypothesis Testing, carried out by conducting the T test and the Coefficient of Determination (R2) test

3. RESULTS AND DISCUSSION

Based on the **Table 3**, the data distribution for the sustainability performance variable (as a dependent variable) shows a minimum value of 0.2069, a maximum of 1.0000, an average of 0.6182, and a standard deviation of 0.2313. This variable is measured using dummy 1 if the Islamic commercial bank reveals economic, social, and environmental aspects in sustainability performance, and 0 if it does not. The results show that the average sustainability performance is relatively low with its value close to the minimum value, while the variance of the data is quite large, it is seen quite far from the average value and standard deviation.

The minimum value is 2.0000, the maximum value is 6.0000 and the average is 3.9857. This shows that the size of the board of directors is relatively small, with a standard deviation of 1.0424 which indicates a small data variance. Board of directors meetings are measured by the number of meetings attended by the board of directors. the minimum value of 0.0000 (Bank BJB Syariah in 2018-2019), the maximum of 1.0000, and an average of 0.8838 indicate a relatively high level of meetings. The standard deviation of 0.1940 indicates a large data variance. The minimum value is 22.4, the maximum is 60.67, and the average is 52.53, indicating a relatively large age of the board of directors. The standard deviation of 4.9458 indicates a large data variance. And institutional ownership is measured by the amount of institutional ownership shares in Islamic banking. the minimum value is 0.0243, the maximum is 1.0000, and the average is 0.8584, indicating a relatively large level of institutional ownership. The standard deviation of 0.2594 indicates a large data variance.

Table 3. Descriptive Statistical Analysis

Variable Average (Mean)	Average (Mean)	Median	Maximum	Minimum	Std. Dev
Sustainability Performance	0,618233	0,637950	1,000000	0,206900	0,231296
Board Size	3,985714	4,000000	6,000000	2,000000	1,042473
Meetings of the Board of Directors	0,883847	0,936150	1,000000	0,000000	0,194032
Age of Board of Directors	52,53262	52,70835	60,66670	22,40000	4,945769
Institutional Ownership	0,858409	1,000000	1,000000	0,024300	0,259396

Source: processed results Eviews 12, 2024

Multicollinearity Test

Multicollinearity test is used to test whether the model found a correlation between the independent variables. There is no multicollinearity problem if the correlation value < 0.8 tolerable correlation value. The test results are as follows:

Table 4. Multicollinearity Test

	Y	X1	X2	X3	M
Y	1.000000	0.497277	0.232840	-0.015055	-0.274589
X1	0.497277	1.000000	0.169189	0.019861	-0.360387
X2	0.232840	0.169189	1.000000	0.143740	-0.132106
X3	-0.015055	0.019861	0.143740	1.000000	-0.001274
M	-0.274589	-0.360387	-0.132106	-0.001274	1.000000

Source: Processed Results Eviews 12, 2024

Based on **Table 4**, it can be seen that the correlation value of each independent variable is smaller than 0.80, so there is no multicollinearity problem

Results of Panel Data

Regression Analysis Based on the results of data regression analysis, the results of regression equations were obtained using constant analysis and beta coefficients. The results of the calculation of the constant and beta coefficient and regression analysis are as follows:

Y = -0,038 + 0,077UKDD(X1) + 0,256RDD(X2) + 0,002USDD(X3)………………………………………….(1)

Y = 0,013 + 0,074UKDD(X1) + 0,259RDD(X2) + 0,002USDD(X3) – 0,057M……………………………… (2)

Y = 2,447 + 0,120UKDD(X1) – 1,448RDD(X2) – 0,017USDD(X3) - 0,039UKDD*KI(M1) + 1,671RDD*KI(M2) + 0,017USDD*KI(M3)………………………………………………………………………………………(3)

Hypothesis Testing Results

Table 5. Hypothesis Analysis Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.	Test Results
C	0,013289	0,288165	0,046116	0,9634	
UKDD (X1)	0,073968	0,029232	2,530330	0,0138	Supported
RDD (X2)	0,258543	0,122709	2,106958	0,0390	Supported
USDD (X3)	0,002479	0,005006	0,490953	0,6222	Not Supported
Test Results R^2	Adjusted R-Square = 0,175141				

Source: processed results Eviews 12, 2024

The results of the t test conducted through Eviews 12 as shown in table 4.2 above, the results showed that the variable board size (X1) on sustainability performance, obtained a coefficient of 0.073968 and a probability value of 0.0138 <0.05 then H1 is accepted. The coefficient value is positive, so the size of the board of directors has a significant positive impact on sustainability performance. This shows that board size has a positive effect on performance on sustainability performance. So, the hypothesis H1: board size has a positive effect on sustainability performance is supported. The larger the board size, the better the sustainability performance achieved. This result is consistent with previous findings by Gardazi et al., (2020) dan Asaduzzaman Fakir et al., (2019) showing that a large board size can have a positive impact on sustainability performance. A large board size increases oversight and control, reduces overlapping functions and strengthens operational efficiency. More board members can prevent agency conflicts and encourage proactive behavior that supports sustainability performance. So, the size of the board of directors at Islamic commercial banks in Indonesia is effective enough to improve sustainability performance.

The results further show that the board of directors meeting variable obtained a coefficient value of 0.258543 and a probability value of 0.0390 <0.05, so H2 is accepted. The coefficient value is positived, it can be concluded that the board of directors meeting has a positive impact on sustainability performance. This shows that the board of directors meeting variable has a significant positive effect on sustainability performance. Hypothesis H2: board meetings have a positive effect on sustainability performance is supported. The more often board meetings are held, the better the performance achieved. In line with Disli et al., (2022) shows that frequent board meetings significantly positively reduce controversy over sustainability issues, particularly ESG controversy, suggesting that active governance can improve sustainability performance outcomesAnd Kwarteng et al., (2023)also showed in their research in Sub-Saharan Africa that there is a positive relationship between board meeting frequency and environmental and social sustainability performance. Regular board meetings increase the diligence of the board of directors in managing the company, discussing problem solutions, and minimizing agency conflicts. It can also improve oversight, increase transparency and help address sustainability issues, such as social and environmental. With regular meetings, the board of directors can plan more effective strategies and make more informed decisions that ultimately support improved sustainability performance in Islamic banking.

Furthermore, the results show that the variable age of the board of directors has a coefficient value of 0.002479 and a probability value of 0.6222 greater than 0.05, so H0 is accepted and H3 is rejected. This means that the variable age of the board of directors has a positive and non-significant impact on sustainability performance. This shows that hypothesis H3: the age of the board of directors has a positive effect on sustainability performance is not supported. The results of this study contradict the opinion of Sulistyo and Hatane, (2019) which states that the older a person is, the wiser they tend to be. As well as Herawaty et al., (2021) who consider the board of directors to be easily more flexible in keeping up with changing times. In addition, it is contrary to agency theory where young boards of directors are motivated to work better to achieve a good career so that it has an impact on banking sustainability.

In Islamic banking, in this research sample, the average age of the board of directors in the Islamic banking sample is 52.5 years, with 48% below average age and 52% above average age. This data shows that the age of the board of directors, whether young or old, has little influence on sustainability performance. Strengthened by a comparison of data from Bank Aceh Syariah in 2018, which had an average age of 44.8 with a sustainability performance disclosure of 0.4138. Meanwhile, in 2023, it has an average age of 43.8 with a sustainability performance disclosure of 0.8276. Meanwhile, Bank Victoria Syariah, in 2021 with an average age of 60.6 and in 2023 with an average age of 55.6, had the same disclosure rate of 0.3448. This indicates that in Islamic banking, having either older or younger board members does not significantly affect sustainability performance. The age of the board of directors, whether young or old, does not determine the sustainability performance of Sharia Commercial Banks in Indonesia, but it can also be influenced by the balance of appropriate expertise, skills, and competencies, as well as the complexity of the sustainability challenges faced (Menicucci & Paolucci, 2023).). Additionally, there is a possibility that the awareness and understanding of the concept of sustainability are still low, making it difficult for Islamic banking to support the sustainability agenda. Furthermore, the board of directors may still be in the process of learning and adapting because the requirements for disclosing sustainability performance are relatively new. This research is supported by previous studies conducted by Amaliyah & Solikhah, (2019), which state that the age of the board of directors does not influence the disclosure of carbon emissions (environmental disclosure). Also, Nugraha, (2024) found that the diversity in the age of the board of directors does not affect the disclosure of sustainability reporting. This study uses the Adjusted R Square in testing the determination coefficient because the independent variable is more than two. Based on table 4.3, the Adjusted R-squared value is 0.175141. This shows that the ability of the relationship level and the contribution of the influence of independent variables to the dependent variables is 17.5% and the remaining 82.5% is influenced by other factors not discussed in this study.

Results of the Moderated Regression Analysis (MRA)

T-test after the interaction of the moderation variable

Table 6. MRA T-Test Results

Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**	Test Results
C	2,447203	2,417259	1,012387	0,3153	
UKDD (X1)	0,119634	0,089186	1,341402	0,1847	-
RDD (X2)	-1,447525	1,414370	-1,023442	0,3101	-
USDD (X3)	-0,017407	0,039757	-0,437823	0,6630	-
KI (M)	-2,337215	2,451869	-0,953238	0,3442	-
UKDD*KI (M1)	-0,039270	0,095350	-0,411851	0,6819	Not Supported
RDD*K1 (M2)	1,671154	1,429132	1,169349	0,2467	Not Supported
USDD*KI (M3)	0,017030	0,040427	0,421250	0,6750	Not Supported
Adjusted R-Square = 0,228516					

Source: Data processing results Eviews 12, 2024.

Based on the results of the moderation regression test shown in the table above, the institutional ownership variable does not weaken or is unable to moderate the relationship between board characteristics and sustainability performance. The coefficient values and probability values for M1, M2, and M3 indicate that institutional ownership does not moderate. Where the coefficient value of M1 (interaction of board size variable with institutional ownership moderation) has a coefficient value of -0.039270 and a t-statistic value of -0.411851 with a probability value of 0.6819 > 0.05. Furthermore, the results show that M2 (the interaction of the board meeting variable with institutional ownership moderation) has a coefficient value of 1.671154 and a t-statistic value of 1.169349 with a probability value of 0.2467 greater than (>0.05). Similarly, M3 (the interaction of the board of directors' age variable with institutional ownership moderation) has a coefficient value of 0.017030 and a t-statistic value of 0.421250 with a probability value of 0.6750 greater than (>0.05). This indicates that hypothesis H4 is rejected. Hypothesis H4: institutional ownership moderates the relationship between board characteristics and sustainability performance is not supported. This means that Islamic banking with a proportion of institutional ownership is unable to enhance the relationship between board characteristics and sustainability performance. The results contradict agency theory, which expects institutional ownership to enhance management oversight and encourage greater disclosure, and according to Jensen (2002) in stakeholder theory, it is stated that managers should make decisions that encompass the interests of all company stakeholders. If the level of institutional ownership is high, it encourages better oversight, resulting in greater disclosure. And contrary to previous research, institutional ownership shows a significant positive moderating effect on the relationship between board size and sustainability performance (Khan et al., 2023).

Based on the sample results of this study, where the comparison of data at Bank Muamalat Indonesia (2017-2020) shows a low institutional ownership percentage of around 2.43% with a high sustainability performance disclosure of around 90%. On the other hand, BJB Syariah, Bank Mega Syariah, and BCA Syariah, with high institutional ownership (100%), have sustainability performance disclosures below 70%. This indicates that institutional ownership does not encourage board characteristics for high sustainability performance disclosure. In Islamic banking, institutional ownership is likely less focused on social and environmental accountability, but more on financial and funding issues. Furthermore, Islamic banking operates in the service sector and does not have a direct impact on the environment, so several items or sustainability performance indicators related to environmental information are not disclosed at all. Furthermore, according to Tan & Zarefar, (2022), institutional ownership in Indonesia is less effective due to the inability to manage interests and a less supportive culture, as well as inadequate personal capacity.

Although institutional ownership has the resources and ability to oversee companies, if governance is poor, its function will not be optimal. The results of this study are supported by Tan & Zarefar (2022), which show that institutional ownership does not moderate the relationship between corporate governance and sustainability disclosure. The results of this study are supported by Tan & Zarefar, (2022),, which show that institutional ownership does not moderate the relationship between corporate governance and sustainability disclosure. From the results, the Adjusted R-squared value of 0.228516 indicates that the contribution of the independent variable's influence after the interaction of the moderating variable (institutional ownership) on the dependent variable is 22.9%, and the remaining 77.1% is explained by other variables outside this study. Based on the results, the Adjusted R-squared value of 0.228516 indicates that the contribution of the independent variable after the interaction of the moderating variable (institutional ownership) on the dependent variable is 22.9%, and the remaining 77.1% is explained by other variables outside this study.

4. CONCLUSION

This research found that the sustainability performance of Islamic banks in Indonesia is still low, influenced by the low legitimacy of policies, leadership decisions, and limitations in disclosures. The implementation of good governance is important to improve sustainability performance, but aligning interests remains a challenge. Therefore, this research aims to analyze and examine the influence of board characteristics, including board size, board meetings, and board age, on sustainability performance by incorporating institutional ownership as a moderator. Through empirical analysis and discussion, this study found that the size of the board of directors and board meetings have a significant and positive impact on sustainability performance. Contrary to the hypothesis, the results of this study found that the age of the board of directors has no significant effect on sustainability performance. This indicates that the age of the board of directors in Islamic banking is not a determinant of sustainability performance, but rather the balance of appropriate expertise, skills, and competencies. Furthermore, the moderating variable, which is institutional ownership, does not moderate the relationship between board characteristics and sustainability performance. This means it is unable to strengthen or weaken the relationship between the size, meetings, and age of the board of directors and sustainability performance. The implications of this research finding for Islamic Commercial Banks should ensure that the size of the board of directors is large enough to maximize the board's role and function in enhancing sustainability performance. Attention to the number of members and the frequency of board meetings is important to optimize the strengthening of governance, transparency, accountability, and long-term sustainability performance. For stakeholders, this research facilitates investment decisions and promotes awareness of the economic, social, and environmental responsibilities of Islamic banks. This research has limitations in the number of samples used, which are still few, and the availability of data for sustainability performance from sustainability reports is limited, thus reducing data completeness. Therefore, for future research, the sample can be expanded by involving companies from various sectors and other countries. In addition, it is also possible to test other variables that affect sustainability performance.

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