The Role of Zakat Disclosure as a Mediating Variable in the Effect of Functional Diversity of the Board of Commissioners and Sharia Supervisory Board on ROE (Study on Islamic Commercial Banks in Indonesia for the 2013-2020 Period)

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Abstract. This study aims to analyze the mediating role of zakat disclosure in the relationship between the functional diversity of the Board of Commissioners (BoC) and the Sharia Supervisory Board (SSB) on the Return on Equity (ROE) of Islamic banks in Indonesia for the period 2013-2020. The BoC's diversity, proxied by government connections and syariah industry experience, positively influences zakat disclosure and ROE, contributing to better corporate governance and financial performance. Meanwhile, the SSB's diversity, represented by expertise in the Islamic capital market and tenure, shows a negative impact on zakat disclosure and ROE. The study utilizes Partial Least Square (PLS) analysis, The analysis reveals that zakat disclosure does not significantly mediate the relationship between the diversity of either the BoC or the SSB on. These findings suggest that while functional diversity within BoC strengthens zakat disclosure and financial outcomes, similar diversity within SSB does not provide equivalent benefits.

Keywords: Zakat disclosure, functional diversity, Board of Commissioners,Sharia Supervisory Board, Islamic banks, Return on Equity (ROE), corporate governance.

1 Introduction

Islamic banking in Indonesia has two main institutions that play an important role in supervision, namely the Board of Commissioners (BoC) and the Sharia Supervisory Board (SSB). The Board of Commissioners is responsible for ensuring the implementation of good corporate governance (GCG) by monitoring financial performance and risk management strategies. Meanwhile, the SSB has a specific role to ensure that the operations of Islamic banks comply with sharia principles, which includes verifying products and services to be in accordance with Islamic law. The supervisory function by these two institutions is crucial in maintaining transparency and sharia compliance in Indonesia's Islamic banking. [1]. In addition, BOCs often have connections with the government and experience in the sharia industry, which

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can influence strategic decision-making related to the bank's financial performance. Previous research has found that the presence of BOC members who are experienced in the sharia industry and who have government connections can increase the effectiveness of supervision, which in turn has a positive impact on financial performance, including Return on Equity (ROE) [2].

Meanwhile, the Sharia Supervisory Board has a unique role in ensuring that the bank's products and services are in accordance with sharia principles. The tenure of SSB members as well as expertise in Islamic capital markets are also important indicators in the effectiveness of sharia supervision. Research shows that a SSB consisting of members who have expertise in Islamic capital markets and who have long tenure can positively influence the financial performance of Islamic banks, especially in improving compliance with Islamic principles and ensuring transparency of Islamic financial statements. [3].

The main issue in this research focuses on how diversity in the Board of Commissioners and Sharia Supervisory Board (SSB) can affect the financial performance of Islamic banks, particularly in terms of Return on Equity (ROE). Diversity in the Board of Commissioners is often seen in terms of experience in the industry, connections with the government, as well as other factors such as gender, age, and educational background. In some studies, diversity in the Board of Commissioners is considered to increase the ability of more comprehensive supervision and diverse views, which leads to improved company performance [4]. A common issue that often arises is that diversity can create challenges in terms of coordination and alignment among board members. Diverse backgrounds and interests can slow down decision-making, especially in terms of risk management and optimizing ROE. On the other hand, the diversity that is expected to drive innovation and adherence to Sharia principles is often not fully reflected in optimal financial performance.

On the other hand, the SSB is tasked with ensuring compliance with sharia principles in the bank's operations. Variations in SSB size, tenure, as well as expertise in Islamic capital markets may affect the effectiveness of sharia supervision, which also impacts financial performance. The study found that SSB members who have a strong background in Islamic finance as well as long experience tend to be better able to prevent actions that do not comply with sharia principles, which in turn can increase ROE [5]. However, the problem arises when the SSB does not have strong expertise or background in Islamic economics or finance, so the supervision of zakat disclosure and other sharia principles becomes less effective. This can affect stakeholder trust and lead to low transparency and compliance, which in turn impacts ROE.

However, in Indonesia, there are still challenges in clearly measuring how diversity in these two institutions directly impacts ROE. For example, other studies have found that the effect of BOC diversity on financial performance may not always be significant, depending on mediating variables such as good governance practices and risk management [6].

To clarify the relationship between the diversity of the Board of Commissioners and SSB to ROE, zakat disclosure is used as a mediating variable. Zakat is not only a religious obligation but also a strategic tool in improving bank reputation and strengthening stakeholder trust. In this context, zakat disclosure can mediate the relationship between Islamic governance effectiveness and financial performance. Previous research found that sharia social disclosure, including zakat, plays an important role in improving corporate performance by building public trust and other stakeholders [7,8]. In addition, research by Ibrahim et al. (2020) found that zakat disclosure has a positive correlation with bank performance, as good disclosure of zakat improves the reputation and public perception of the bank, which in turn can improve financial performance indirectly [9]. Moreover, research that found that the disclosure of zakat and charitable activities has a positive relationship with the performance of Islamic banks shows that transparency in zakat management plays a role in improving the reputation and financial performance of banks [10].

2 Research Methodology

This research is a type of explanatory research with a quantitative approach. The population in this study are all Islamic Commercial Banks (BUS) registered with the Financial Services Authority (OJK) in the 2013-2020 period and have published annual and financial reports on the OJK online website. The reason for choosing this research year is based on the assumption that the implementation of corporate governance has been widely implemented by companies, especially Islamic Banks in 2013. This selection also refers to Bank Indonesia Circular Letter No. 12/13/DPbs dated April 30, 2010, which regulates the obligation to prepare self-assessment reports in the implementation of corporate governance in the banking sector.

This study uses secondary data derived from annual report data and financial reports obtained from the web site of each Islamic Commercial Bank registered with the Financial Services Authority for the 2013-2020 period. Because the number of population members is small, all members of the population are sampled (saturated sample). The samples in the study that met the criteria were 11 Islamic Commercial Banks. The data analysis method used in this study uses the Partial Least Square (PLS) approach with the help of the Smart PLS program. PLS is a variant-based structural equation modeling (SEM) approach. Partial Least Square (PLS) has the advantage of overcoming two serious problems that often arise, namely inadmissible solutions and factor indeterminacy [11]. The methodology and research design are illustrated in the following figure:

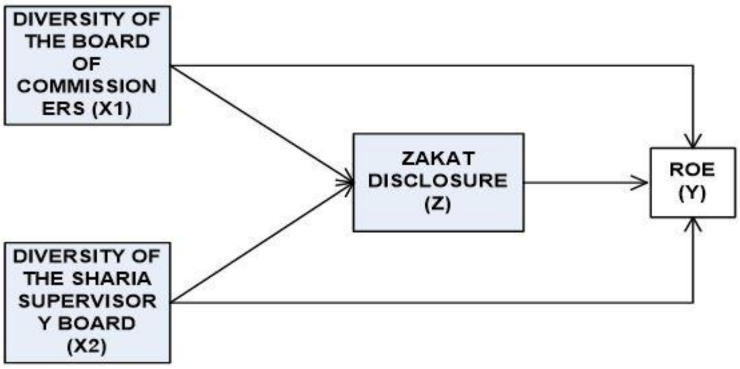

Fig. 1. Design Research

3 Result and Discusion

The purpose of this study is to analyze empirically and theoretically the mediating role of zakat disclosure in influencing the relationship between the diversity of the Board of Commissioners and the Sharia Supervisory Board on Return on Equity (ROE) in Islamic commercial banks. The disclosure of zakat is considered as a form of social responsibility that can strengthen the credibility of banks in the eyes of stakeholders, so that it can contribute to improving financial performance.

The supervisory function of the Board of Commissioners and Sharia Supervisory Board in this case plays an important role to ensure that the bank's operations remain in accordance with sharia principles and high transparency. Diversity in the Board of Commissioners, for example in terms of industry experience or government relations, has the potential to bring different perspectives to decision making, which in turn can improve management efficiency and accountability. On the other hand, the Sharia Supervisory Board plays a role in ensuring compliance with sharia principles, including in the management of zakat, which is an important indicator of social responsibility and can enhance the bank's reputation. Thus, the synergy between good supervision and zakat disclosure is expected to increase ROE, reflecting more optimal financial performance in Islamic commercial banks.

3.1 Measurement model test results (outer model)

Outer model analysis is carried out only for variables that have more than one indicator, board diversity and supervisory board diversity. Outer model analysis consists of (1) convergent validity and reliability, and (2) discriminant validity seen from the cross loading factor. The explanation of each analysis is described as follows.

Each indicator is valid to measure its construct if the factor loading value is more than 0.5 [12]. All indicators are reliable for measuring their constructs if the AVE value is more than 0.5 and the composite reliability and Cronbach alpha values are more than 0.7. The results of the construct validity and reliability tests are as follows.

Table 1. Result *Convegent Validity* dan *Reliability* Testing

Variabel	Indikator	*Factor loading*	*AVE (> 0.5)*	*Cronbach Alpha (> 0.7)*	*Composite Reliability (> 0.7)*
BoC Diversity	BOC 1	0,764	0,712	0,613	0,831
	BOC 2	0,916			
SSB Diversity	SSB 1	0,78	0,654	0,472	0,791
	SSB 2	0,836			

Based on the table above, all loading factors are more than 0.5, so it can be concluded that all indicators are valid to measure their constructs. All latent variables (constructs) also have an AVE value> 0.5 and composite reliability (CR)> 0.7 so it can be concluded that all indicators are reliable for measuring their respective constructs. Although all variables have an Alpha Cronbach value <0.7, the AVE and CR values are quite high, so these conditions can be ignored. Discriminant validity testing is done with a cross-loading factor. The cross-loading factor results can be seen in the following table.

Table 2. Result *Cross-Loading Factor* Testing

	Boc Diversity	SSB Diversity
BOC 1	0,764	-0,069
BOC 2	0,916	-0,035
SSB 1	0,015	0,780

SSB 2	-0,098	0,836

The cross loading test is said to be good if the loading value on the indicator is greater than other indicators that measure other constructs. Based on the table above, the loading factor of the indicators that measure each latent variable is always higher than the loading factor of the indicators that measure other latent variables. So it can be concluded that the discriminant validity is very good.

Model fit assessment in PLS-SEM, referred to as goodness of fit, evaluates the effectiveness of the structural model in examining direct and indirect effects among variables. This evaluation involves some common indicators, such as the R-Square value, which measures the variance explained in the dependent construct. Path coefficient significance and t-tests are also used to assess the structural paths between the constructs in the model [13]. The results of the goodness-of-fit test of the structural model can be obtained, as shown on the following page.

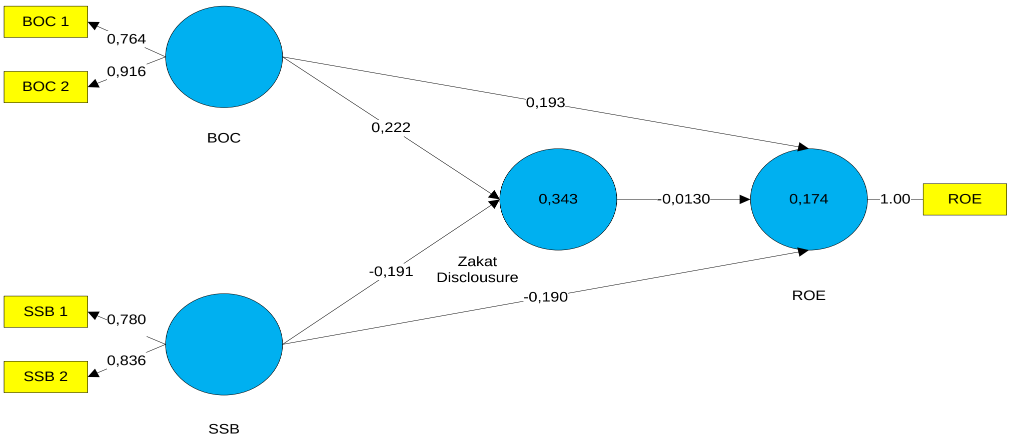

Fig. 2. Structural Model Test Result (Inner Model)

Based on the figure above, from the coefficient value, it can be seen that the variable that has the most influence on zakat disclosure is the diversity of the board of commissioners, while the variable that has the most influence on ROE is the diversity of the board of commissioners

3.2 Hypothesis Test Results

Hypothesis testing in this study was conducted using the t statistical test to test the suitability of the proposed hypothesis with the available empirical data. The results of the test involving the analysis of direct and indirect relationships between the research variables are presented in Table 3. This test is carried out by considering the significance limit set based on the p-value, where the hypothesis is considered significant if the p-value is below the tolerance threshold used in this study, which is 10% (0,1).

Table 3. Path Analysis Test Results

Hip.	Path Diagram	Koefisien	p-value	Noted
H1	BoC→ ROE	0,193	0,026	H 1 Accepted
H2	SSB→ ROE	-0,190	0,092	H 2 Accepted
H3	BoC→ Zakah_Disclousure	0,222	0,010	H 5 Accepted
H4	SSB→ Zakah_Disclousure	-0,191	0,058	H 6 Accepted
H5	Zakah_Disclousure → ROE	-0,130	0,221	H 7 Rejected
H6	BoC→ Zakah_Disclousure →ROE	-0,029	0,259	H 9 Rejected
H7	SSB→ Zakah_Disclousure →ROE	0,025	0,243	H 10 Rejected

After obtaining the results of the direct effect significance test built as a model in the table above, the structural equation is formulated on the path diagram by conducting a statistical hypothesis test where the results of the hypothesis test can later be used to answer problems empirically, testing each hypothesis can be seen based on the interpretation results as follows:

a. The first hypothesis in this study examines the effect of the Board of Commissioners (BoC) on Return on Equity (ROE) at Islamic Commercial Banks. This hypothesis was formulated to determine the extent to which the supervisory role of the Board of Commissioners can contribute to the financial performance of Islamic Commercial Banks, as measured by the ROE indicator. The statistical test results show that the coefficient of the Board of Commissioners' influence on ROE is 0.193 with a p-value of 0.026. With a p-value smaller than the specified significance level ($\alpha = 0.1$), hypothesis 1 is accepted. This shows that the Board of Commissioners has a positive and significant influence on ROE. The positive coefficient of 0.193 indicates that an increase in the performance and role of the Board of Commissioners contributes to an increase in the financial performance of Islamic banks, which is reflected in an increase in ROE. In more detail, this finding indicates that the Board of Commissioners, in its function as a supervisor, plays an important role in maintaining good corporate governance in Islamic commercial banks, which in turn has an impact on increasing bank profitability. In conclusion, the t-test for hypothesis 1 proves that the Board of Commissioners significantly affects Return on Equity at Islamic Commercial Banks, which indicates the importance of effective supervision to achieve optimal financial performance. This study shows that the diversity of the Board of Commissioners, proxied by government connection and experience in the Islamic industry, has a significant impact on Return on Equity (ROE) in Islamic banks. Government connection provides strategic access to policy and regulatory information that enables companies to respond to changes quickly, thereby minimizing regulatory risk and optimizing business strategy. Meanwhile, experience in the Islamic industry strengthens oversight of operational compliance with sharia principles, which is important in maintaining reputation and stakeholder trust. The results of this study are consistent with previous studies [14,15], which state that board diversity exerts a significant influence on firm performance when aligned with strategic objectives and operational compliance. In addition, this finding is in line with previous studies that show that government connections on the board of commissioners provide strategic benefits, but their effectiveness is highly dependent on the company's compliance with regulations [16,17]. In terms of theory, Agency Theory and Social Network Theory underpin this analysis. Agency Theory explains that the BOC, through political access and sharia industry experience, can reduce agency costs and ensure management compliance with regulations that support the long-term interests of the company. Meanwhile, Social Network Theory emphasizes how government connections and sharia industry networks provide access to information and resources that strengthen the firm's competitiveness. The combination of these two diversity proxies contributes to an increase in ROE, as companies can better respond to external dynamics and increase investor and stakeholder confidence.

b. The second hypothesis in this study examines the effect of the Sharia Supervisory Board (SSB) on Return on Equity (ROE) at Islamic Commercial Banks. The Sharia Supervisory Board has an important role in ensuring bank compliance with sharia principles, which is expected to have an impact on improving financial performance, especially in terms of Return on Equity (ROE). The statistical test results show that the coefficient of the influence of the Sharia Supervisory Board on ROE is -0.190 with a p-value of 0.092. With a p-value greater than the commonly used significance level ($\alpha = 0.05$), hypothesis 2 is accepted. This means that statistically there is no significant effect of the Sharia Supervisory Board on ROE. The negative coefficient (-0.190) indicates a negative relationship between the role of the Sharia Supervisory Board and financial performance as measured by ROE. Although not statistically significant, the negative coefficient value indicates that an increase in sharia supervision has the potential to reduce the level of profitability generated by Islamic banks. This can be explained by several possibilities, such as stricter supervision from the Sharia Supervisory Board that can limit banks from conducting activities that may have profit potential but are contrary to sharia principles. This study found that the diversity of the Sharia Supervisory Board (SSB), proxied by long tenure and expertise in Islamic capital markets, may negatively impact the Return on Equity (ROE) of Islamic banks. Although long tenure provides an in-depth understanding of the company's operations, it has the potential to reduce supervisory independence due to proximity to management, thereby increasing agency costs and lowering governance effectiveness. This is in line with the findings of previous studies which show that long tenure increases operational understanding, but also reduces supervisory objectivity [18,19]. In addition, SSB expertise in Islamic capital markets, while important for ensuring compliance, may encourage more conservative decision-making. This overly cautious attitude, as explained by Khalil & Boulila Taktak [20], limits more profitable investment opportunities, which in turn suppresses profitability and lowers ROE. From an Agency Theory perspective, long tenure reduces supervisory independence, increasing agency costs that negatively impact ROE. Meanwhile, according to Social Network Theory, too close social relationships within the SSB can reduce the objectivity of decision-making, weaken supervision, and reduce financial performance. These two theories support the finding that diversity in SSB, if not managed properly, can negatively impact ROE.

c. The next hypothesis in this study aims to examine the influence of the Board of Commissioners on Zakat Disclosure in Islamic Commercial Banks. The Board of Commissioners, in its role as a management supervisor, is responsible for ensuring that the bank operates not only in accordance with good governance principles but also complies with Sharia regulations, including the disclosure of social obligations such as zakat. The statistical analysis results show that the coefficient of the Board of

Commissioners' influence on zakat disclosure is 0.222, with a p-value of 0.010. A p-value smaller than the significance level ($\alpha = 0.1$) indicates that hypothesis 3 is accepted. Therefore, the Board of Commissioners has a significant and positive influence on the level of zakat disclosure in Islamic Commercial Banks. Statistically, the positive coefficient of 0.222 indicates that the active role of the Board of Commissioners in supervising the bank contributes to increased transparency regarding zakat disclosure. Although this coefficient is smaller than the influence of the Board of Directors in the previous hypothesis, it still demonstrates that the Board of Commissioners plays an important role in ensuring that the bank fulfills its social responsibilities, including zakat disclosure. In the context of statistical testing, a p-value of 0.010 provides strong evidence that this result did not occur by chance. This means that there is a real relationship between an effective Board of Commissioners and higher zakat disclosure. Better supervision by the Board of Commissioners ensures that zakat management is conducted transparently and in accordance with Sharia regulations, which in turn enhances stakeholder trust in the bank. In conclusion, the t-test for hypothesis 5 shows that the Board of Commissioners has a significant and positive influence on zakat disclosure in Islamic Commercial Banks. This reinforces the strategic role of the Board of Commissioners in supporting good governance practices and ensuring that Islamic banks focus not only on financial performance but also on social responsibility and Sharia compliance. This study shows that the diversity of the Board of Commissioners, proxied by connection with the government and experience in the sharia industry, has a significant influence on zakat disclosure in Islamic banks. Connection with the government provides wider access to regulatory and policy information that supports transparency in zakat disclosure, while experience in the sharia industry enables the BOC to understand the urgency of compliance with sharia principles, including zakat, which acts as a social and religious instrument. The combination of these two factors strengthens corporate governance and enhances zakat disclosure, thereby strengthening the company's reputation in the eyes of stakeholders. This finding is in line with research highlighting that BOC diversity enhances transparency and compliance with sharia principles, which in turn has a positive impact on zakat disclosure [21,22]. This research is supported by two main theories, namely Social Network Theory and Stakeholder Theory. Social Network Theory emphasises that the diversity of the Board of Commissioners enriches access to information and resources that support zakat disclosure. Meanwhile, Stakeholder Theory asserts that zakat disclosure is part of corporate social responsibility towards stakeholders. These two theories collaborate in explaining how BOC diversity encourages more effective zakat disclosure, especially in sharia-compliant banks.

d. The fourth hypothesis in this study examines the influence of the Sharia Supervisory Board (SSB) on zakat disclosure in Islamic Commercial Banks. The Sharia Supervisory Board plays a crucial role in ensuring the bank's operational compliance with Sharia principles, including transparency and social obligations such as zakat disclosure. Therefore, the influence of SSB on the level of zakat disclosure is one of the focuses of this research. The statistical analysis results show that the coefficient of the Sharia Supervisory Board's influence on zakat disclosure is -0.191, with a p-value of 0.058. In this study, the significance level used is 0.1 (10%). Since the p-value of 0.058 is smaller than the significance level of 0.1, hypothesis 4 is accepted. This means that statistically, there is a significant relationship between the Sharia Supervisory Board and zakat disclosure, although the direction of the influence is negative. The negative coefficient of -0.191 indicates that an increase in the role of the Sharia Supervisory Board tends to be associated with a decrease in zakat disclosure. Although the influence is significant, the negative relationship suggests that stricter Sharia supervision may reduce the flexibility of the bank in openly disclosing zakat obligations. This can happen if the SSB imposes very strict standards in assessing Sharia compliance, which may create additional administrative burdens for the bank, thereby reducing its focus on public disclosure. With a p-value of 0.058, this result falls within the accepted significance level of 0.1, indicating that the influence of the SSB on zakat disclosure is indeed significant, although not as strong at a lower significance level (e.g., 0.05). This suggests that there is a real relationship between the SSB and zakat disclosure, but the strength of that relationship may not be very dominant. This study examines the impact of the diversity of the Sharia Supervisory Board (SSB), proxied by tenure and expertise in the Islamic capital market, on zakat disclosure in Islamic Commercial Banks. The results show that although SSB plays an important role in Sharia supervision, there is a significant negative impact on zakat disclosure. Long tenure leads to the phenomenon of organizational fatigue, where the effectiveness of supervision decreases because SSB members become too comfortable and less responsive to regulatory changes. This results in stagnant and minimal disclosure practices. Additionally, the strict expertise in Islamic capital market compliance can lead to overly conservative supervision, limiting the company's flexibility in more transparent and proactive zakat disclosure. This study supports previous findings that suggest SSB diversity can create challenges in reaching consensus on zakat disclosure standards, negatively impacting transparency levels [23,24]. In theoretical terms, these results contradict Social Network Theory and Stakeholder Theory, which would predict that SSB diversity enhances decision-making quality and zakat transparency. However, SSB diversity instead creates differing perspectives that hinder effective decision-making regarding zakat disclosure. These findings suggest the need for a revision in applying both theories in the context of zakat disclosure in Islamic banks.

e. The next hypothesis in this study aims to examine the influence of zakat disclosure on Return on Equity (ROE) in Islamic Commercial Banks. Zakat disclosure is one of the key indicators in measuring the compliance of Islamic banks with Sharia principles and social responsibility. ROE, as a financial performance indicator, reflects the bank's profitability in managing shareholders' equity. This hypothesis seeks to determine whether an increase in the transparency of zakat disclosure can impact the financial performance of Islamic banks. The statistical analysis results show that the coefficient of zakat disclosure’s influence on ROE is -0.130, with a p-value of 0.221. Since this p-value is much larger than the significance level used in the study ($\alpha = 0.1$), hypothesis 5 is rejected. This means that, statistically, there is no significant influence between zakat disclosure and Return on Equity (ROE) in Islamic Commercial Banks. The negative coefficient of -0.130 suggests a negative relationship between zakat disclosure and ROE. Although this relationship is not statistically significant, the negative coefficient indicates that an increase in zakat disclosure tends to correlate with a decrease in profitability measured by ROE. This may occur because zakat disclosure, as part of social responsibility, could increase administrative burdens or divert some of the bank's resources that should have been optimized for commercial activities, thereby affecting profitability. The p-value of 0.221 indicates that the likelihood of the observed relationship occurring by chance is quite high, meaning there is not enough strong evidence to declare a significant influence between zakat disclosure and ROE.

In other words, these results emphasize that increasing zakat disclosure does not directly contribute to enhancing the profitability of Islamic banks. In conclusion, the t-test for hypothesis 5 shows that zakat disclosure does not have a significant influence on Return on Equity (ROE) in Islamic Commercial Banks. Although the relationship found is negative, these results are not strong enough to assert a direct link between the two variables in the context of the financial performance of Islamic banks. This study examines the impact of zakat disclosure on Return on Equity (ROE) in Islamic Commercial Banks. The results show that zakat disclosure, although important as a Sharia obligation and a measure of social responsibility, does not have a significant influence on ROE. This is because zakat primarily functions as a tool for Sharia compliance and corporate social responsibility, but it is not directly related to the company's operations or profitability, which affect ROE. Zakat is considered a redistribution of wealth, which does not contribute to improving the effectiveness of shareholders' capital utilization. This study aligns with previous findings that also concluded that increased transparency in zakat disclosure does not necessarily have a positive impact on ROE [25,26]. Although zakat transparency can enhance a company's reputation, the costs of managing zakat may, in fact, reduce profitability. In theoretical terms, these results do not fully support Stakeholder Theory and Agency Theory. Stakeholder Theory suggests that zakat disclosure would improve relationships with stakeholders, but this positive impact is not directly reflected in financial performance, such as ROE, and is more associated with long-term reputation. Similarly, Agency Theory, which assumes that zakat disclosure can reduce agency problems and improve financial performance, is not fully confirmed. This indicates that zakat disclosure is viewed as a social obligation without a direct impact on the goal of maximizing shareholder profits.

f. In Hypothesis H6, which investigates the influence of the Board of Commissioners (BoC) on Return on Equity (ROE) with zakat disclosure as a mediating factor, the statistical results show that this hypothesis is rejected. The indirect effect coefficient of the BoC on ROE through zakat disclosure is -0.029, with a p-value of 0.259. This indicates that, statistically, the influence of the BoC on ROE through zakat disclosure is not significant. The p-value, being greater than 0.1 (i.e., 0.259), demonstrates that the mediation effect of zakat disclosure in the relationship between the BoC and ROE is not strong enough to be accepted at the 10% significance level. This means that while the BoC plays a role in corporate governance, its influence on the company's financial performance, measured by ROE, is not mediated by zakat disclosure. Overall, the results of Hypothesis H6 indicate that, in the context of this study, zakat disclosure is not a mechanism mediating the relationship between the BoC and financial performance as measured by ROE. The focus of the BoC's supervision and the function of zakat may be more relevant to aspects of compliance and social responsibility rather than increasing the company's profitability. The research suggests that zakat disclosure does not significantly mediate the relationship between the diversity of the Board of Commissioners and Return on Equity (ROE) in Islamic Commercial Banks. Although it is expected that the BoC, with government connections and experience in the syariah industry, would improve financial performance, zakat disclosure does not play a significant mediating role. This may be because government connections are more related to regulatory compliance than social responsibilities like zakat, which do not directly impact profitability. Additionally, while the BoC's experience in the syariah industry supports sharia compliance practices, it does not strengthen the relationship with ROE through zakat disclosure, which is viewed more as a social obligation than a profitability-enhancing strategy. In terms of theory, these findings do not fully support Agency Theory, Social Network Theory, or Stakeholder Theory. Agency Theory assumes that BoC diversity reduces conflicts of interest between shareholders and management, but zakat disclosure is not strong enough to support an increase in ROE. Social Network Theory, which posits that the BoC's social connections enhance access to strategic resources, is also not confirmed, as zakat disclosure does not strengthen the relationship with financial performance. Stakeholder Theory, which expects that zakat disclosure as a form of social responsibility will increase stakeholder trust and ultimately financial performance, is not supported by these findings. Zakat disclosure functions more as a social obligation without a direct impact on profitability as measured by ROE..

g. In this hypothesis, which examines the influence of the Sharia Supervisory Board (SSB) on Return on Equity (ROE) with zakat disclosure as a mediating factor, the statistical results show that this hypothesis is rejected. The indirect effect coefficient of the SSB on ROE through zakat disclosure is 0.025, with a p-value of 0.243. This p-value, being greater than 0.1, indicates that the mediation effect of zakat disclosure in the relationship between the SSB and ROE is not significant at the 10% significance level. The rejection of this hypothesis shows that the influence of the Sharia Supervisory Board on ROE is not strengthened or explained through zakat disclosure. While the SSB plays a crucial role in ensuring the company's compliance with Sharia principles, zakat mediation does not contribute significantly to improving financial performance, as measured by ROE. Overall, the results of Hypothesis H7 suggest that the role of the Sharia Supervisory Board in influencing ROE cannot be explained through zakat disclosure. The SSB's function, which is more focused on Sharia compliance and ethics, is not strong enough to impact company profitability through the mechanism of zakat disclosure. Therefore, while zakat disclosure is important from a Sharia compliance perspective, its impact on financial performance, such as ROE, is not significant in the context of this study. This research examines the role of zakat disclosure as a mediating variable in the relationship between the diversity of the Sharia Supervisory Board (SSB), proxied by tenure and expertise in the Islamic capital market, and Return on Equity (ROE) in Islamic Commercial Banks. The results indicate that while the SSB plays an important role in Sharia supervision, zakat disclosure does not serve as a significant mediator in improving financial performance, as measured by ROE. Long tenures tend to reduce sensitivity to innovation in zakat disclosure, while expertise in the Islamic capital market focuses more on strict regulatory compliance rather than integrating zakat as a business strategy to enhance profitability. Additionally, the theories used in this study, such as Agency Theory, Social Network Theory, and Stakeholder Theory, are not fully confirmed. From the perspective of Agency Theory, the SSB's supervision through zakat disclosure does not directly impact company profitability. Social Network Theory is also not confirmed, as even though the SSB may have strong social networks, zakat is not strategically utilized to improve ROE. Stakeholder Theory is only partially confirmed, as zakat disclosure, while important for maintaining social relationships, does not have a significant impact on short-term profitability, such as ROE.

4 Conclusion

The conclusion of this study indicates that the functional diversity of the Board of Commissioners has a positive influence on financial performance (ROE), while the Sharia Supervisory Board tends to have a negative impact. Zakat disclosure, as a mediating variable, does not show a significant effect on ROE. From a practical perspective, Islamic banks should better leverage the functional diversity of the Board of Commissioners, particularly by integrating members with government connections and experience in the Sharia industry to strengthen corporate governance and enhance profitability. Additionally, Islamic banks should consider periodically renewing members of the Sharia Supervisory Board (SSB) to reduce the risk of organizational fatigue, which can diminish supervisory effectiveness. The management of zakat disclosure also needs to be improved so that it becomes a strategic tool for building reputation and public trust, with the long-term goal of improving financial performance.

From a theoretical perspective, the findings suggest the need for adjustments in the application of agency theory and social network theory, particularly regarding the effectiveness of Sharia supervision in enhancing profitability. Moreover, in the context of zakat disclosure, stakeholder theory can be more focused on the long-term role of zakat disclosure in building relationships with stakeholders, even though its impact on short-term profitability is not significant. The proper implementation of board diversity and zakat disclosure has the potential to enhance the overall performance of Islamic banks.

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