



Jurnal Riset Akuntansi dan Keuangan

Journal homepage: <https://ejournal.upi.edu/index.php/JRAK/>



Characteristics of The Sharia Supervisory Board and Risk Taking of Indonesian BPRS

Mimin Mintarsih^{1*}, Muhammad Umar Mai², Dian Imanina Burhany³

Master of Applied Islamic Finance and Banking, Bandung State Polytechnic, Indonesia

*Correspondence: E-mail: via.mimin.mintarsih@polban.ac.id

ABSTRACT	INFO ARTIKEL
<p>This study aims to analyze the influence of the characteristics of the Sharia Supervisory Board (SSB) on the risk taking of Islamic rural banks (BPRS) in Indonesia during the period 2016 to 2023. The dependent variable in this study is risk taking represented by the standard deviation of ROE (SD_ROE) and the standard deviation of ROA (SD_ROA). The independent variables consist of the number of DPS members (SSB_SIZE), the proportion of women in SSB (SSB_FML), the female SSB chairperson (SSB_FCHR), and SSB ownership (SSB_OWN). Data were analyzed using a robust Fixed Effects Model for SD_ROE and a Random Effects Model for SD_ROA. The results showed that SSB_SIZE negatively affected SD_ROE and SD_ROA, SSB_FCHR negatively affected SD_ROE but not SD_ROA, SSB_OWN negatively affected SD_ROA but not SD_ROE. Unfortunately, this study did not find the effect of SSB_FML on either SD_ROE or SD_ROA.</p> <p>© 2025 Kantor Jurnal dan Publikasi UPI</p>	<p>Article History: <i>Submitted/Received 6 June 2025</i> <i>First Revised 9 June 2025</i> <i>Accepted 27 June 2025</i> <i>First Available online 01 August 2025</i> <i>Publication Date 07 August 2025</i></p> <p>Keyword: Islamic rural banks (BPRS) in Indonesia; Risk taking; Sharia supervisory board; Standard deviation of ROE; and ROA</p>

1. INTRODUCTION

Sharia Rural Banks (BPRS) in Indonesia play a strategic role in supporting financial inclusion, especially in the MSME sector, based on sharia principles. However, the main challenge for BPRS is to ensure compliance with sharia principles while remaining competitive amidst the tight competition in the banking industry, including with conventional banks. According to the Financial Services Authority (OJK), strengthening governance, digitalization, and increasing core capital are the main priorities in supporting the competitiveness and sustainability of BPRS (OJK, 2023).

The existence of *maysir* as a speculative practice prohibited by sharia principles is not only relevant at the operational level, but also reflects how governance and risk management are top priorities in maintaining the integrity of Islamic banking. The Sharia Supervisory Board (SSB) functions as a guardian of sharia values to ensure that the bank's strategic decisions are not trapped in risky behavioral patterns that approach *maysir*. Research by Uddin & Ahmad (2020) highlights that SSB has a significant role in reducing the possibility of Islamic banks being involved in activities such as market speculation or high-risk investments. The prohibition on these activities is based on the Qur'an and hadith which prohibit gambling, which contains elements of uncertainty that are not in line with the principles of transparency and justice in Islam.

Internationally, the role of Islamic banking in risk management is also increasingly recognized. With increasing attention to sustainability, many Islamic banks in various countries have begun to adopt Environmental, Social, and Governance (ESG) practices that are consistent with Islamic principles. For example, in international forums such as COP28, there is a push to advance sustainable finance in the Islamic banking sector, which includes investing in green sukuk to support environmentally friendly projects and encourage responsible investment (Basiruddin & Ahmed, 2019). Islamic banks are expected to play an active role in managing risks and promoting sustainable finance while maintaining Islamic values (Sood, 2018).

In Indonesia, with the largest Muslim population in the world, the potential for BPRS development is very large but its market share is still relatively low (Mukhibad & Setiawan, 2022). With the industrial transformation through digitalization and increasing core capital required by the OJK, BPRS is expected to be able to strengthen risk management and increase its competitiveness. However, in practice, the success of BPRS in managing risk is highly dependent on the effectiveness of DPS in carrying out its supervisory duties (OJK, 2019; Mukhibad & Setiawan, 2022).

Effective risk management has a significant impact on the financial performance of banks, especially in Islamic banking institutions that operate based on Islamic principles. Financial performance is generally measured using Return on Assets (ROA) and Return on Equity (ROE), which respectively describe the efficiency of asset use and the ability to generate returns on equity. Several studies have shown that Islamic banks that are able to implement optimal risk management tend to have more stable and higher ROA and ROE values. For example, research by Mokni & Rjiba (2019) examined the factors that influence the profitability of Islamic banks in the MENA region, and found that risk management and operational efficiency contributed significantly to financial performance through ROA and ROE indicators.

The characteristics of the Sharia Supervisory Board (SSB) have a crucial role in guiding Islamic banks in making decisions that are in line with sharia principles. According to Al-Abbad (2019), SSB makes a significant contribution to the performance of Islamic banks in member countries of the Gulf Cooperation Council (GCC). A SSB that has a strong supervisory capacity is able to help banks manage risks more optimally, which ultimately has a positive impact on profitability, as reflected in financial indicators such as Return on Assets (ROA) and Return on Equity (ROE).

Referring to Bank Indonesia Circular Letter No. 13/1/PBI/2011 concerning the Assessment of the Health Level of Commercial Banks, a bank is declared to have a healthy financial condition if the Return on Assets (ROA) value exceeds 1.5%. Meanwhile, the Return on Equity (ROE) value is considered healthy if it is above 12% (Jalaludin, et.al., 2022). The average development of the standard deviation of ROA and ROE at Islamic Rural Banks (BPRS) in Indonesia during the period 2016 to 2023 is shown in Figure 1 below.

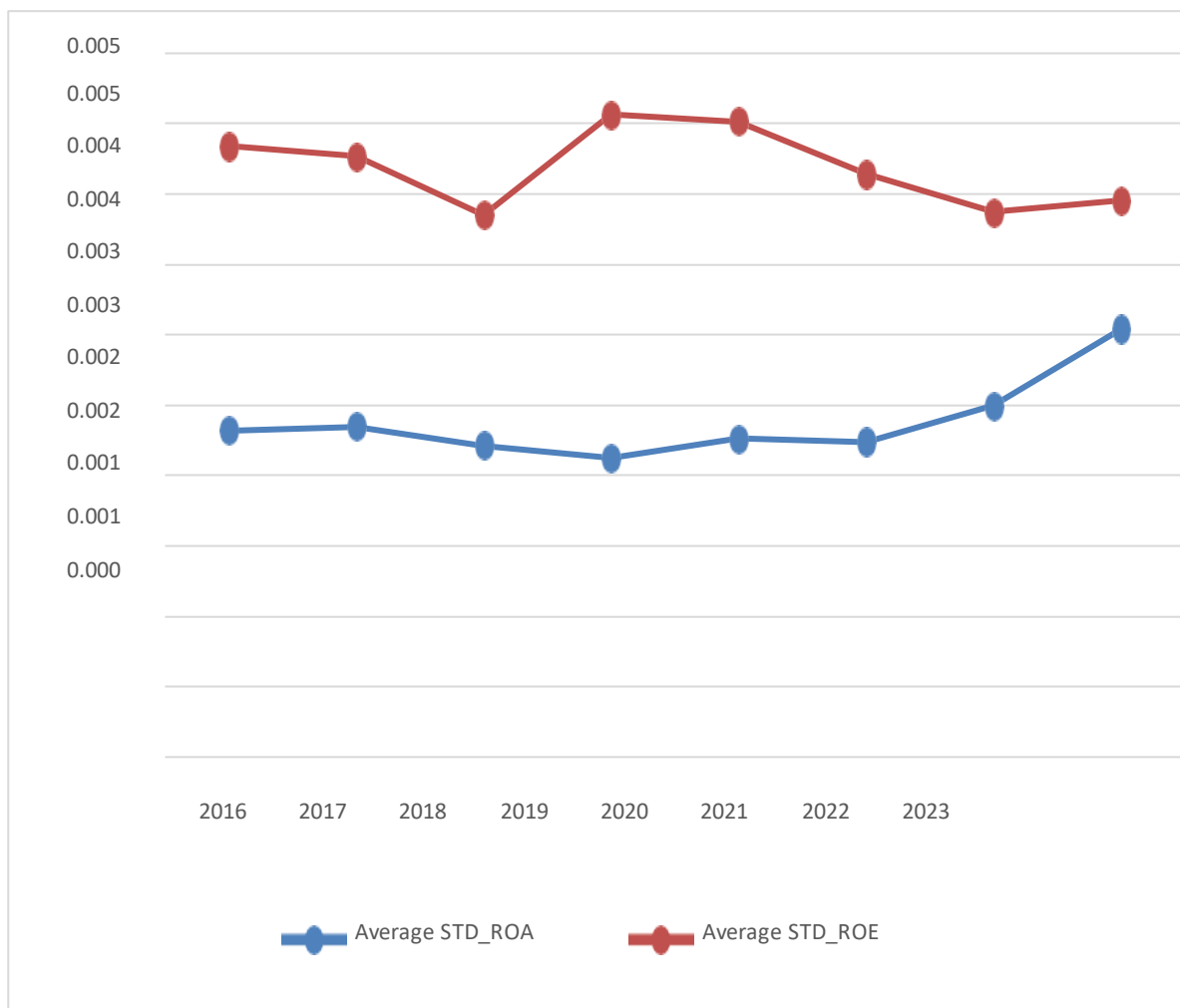


Figure 1.1. Graph of BPRS risk taking measured by STD_ROA and STD_ROE

Figure 1.1 shows that the risk-taking behavior of BPRS as measured by the Standard Deviation of ROE (STD_ROE) is higher than the risk-taking behavior as measured by the Standard Deviation of ROA (STD_ROA). This empirical fact indicates that BPRS prefers to use its equity to fund

activities that have high risks, especially for financing activities provided to its customers. Referring to Figure 1.1, it appears that during 2019-2020 during the COVID-19 pandemic which affected almost all countries, including Indonesia, STD_ROE reached its highest figure of 4,566-4,516. In 2021 and 2022, the STD_ROE figure or value decreased, but entering 2023 it appeared to start increasing again.

Furthermore, the risk-taking behavior of BPRS as measured by STD_ROA is indeed below STD_ROE, but if observed, it appears that from 2019 to 2023, STD_ROA continues to show a significant increase. According to Haque (2019); Bezawada and Adavelli (2020) excessive risk-taking behavior is one of the most threatening to the sustainability of the banking business, so the main factors that influence it need to be identified immediately so that they can be controlled more effectively.

This performance shows the importance of more measurable risk management to maintain the consistency and stability of BPRS performance. The increase in ROA and ROE standard deviations emphasizes the need to strengthen governance and risk mitigation strategies, such as diversifying financing portfolios and adopting digital technology to reduce volatility. In addition, tighter monitoring is needed to ensure that risk taking remains within reasonable limits and does not conflict with sharia principles, especially gharar and maysir, which can impact BPRS's reputation. By managing risk effectively and maintaining ROA and ROE values according to healthy standards, BPRS can not only strengthen competitiveness in the market but also maintain customer and regulator trust, while supporting the sustainability of its operations.

Governance is an important managerial attribute for a company and is directly related to control and monitoring (Ahmed, 2019). The efficiency and function of corporate governance can be influenced by the company's board of directors, diversity (gender) on the board, and its subcommittees (Basiruddin & Ahmed, 2019). The presence of women in the corporate governance structure can reduce agency conflicts, governance components that have gender diversity can provide new perspectives and valuable advice to top managers, resulting in better decisions related to problem solving and improving company performance (Yar & Ahmed, 2020).

Previous studies have shown that the characteristics of the SSB, such as size, expertise, experience, and gender diversity, affect the effectiveness of risk supervision (Al-Abbad, A., 2019; Mukhibad & Setiawan, 2022). A competent SSB not only prevents speculative activities such as maysir (gambling), but also helps banks manage risks more effectively to maintain financial stability (Guizani & Ajmi, 2021). The role of the SSB in controlling risk taking is also supported by the results of research by Mukhibad & Setiawan (2022) which shows that the experience and education of the SSB can significantly reduce the risk of decision-making that is not in accordance with sharia principles. In addition, research by Guizani & Ajmi (2021) emphasizes that the SSB plays a role in preventing speculative practices that are close to gambling, which is prohibited in Islam. This shows that the SSB not only plays a role in strengthening compliance with sharia principles but also contributes to maintaining the financial stability of Islamic banks as a whole.

Although the role of the SSB in managing risk has been widely studied, specific aspects such as the proportion of women in the SSB and share ownership by SSB members are still rarely discussed in depth. A study by El-Sood (2018) found that the presence of women in the SSB tends

to encourage more prudent decision-making, which can reduce the volatility of financial performance. However, there has been no research in Indonesia that explores how gender diversity in the SSB can affect risk taking in BPRS.

Share ownership by SSB members is also a unique variable examined in this study. While several studies, such as those conducted by Mukhibad & Setiawan (2022) and Asiamah (2023) highlight the role of SSB independence and competence in risk management, they do not specifically examine the impact of share ownership by SSB on risk taking. Share ownership by SSB members can motivate members to improve bank performance, but can also create potential conflicts of interest if there is no strict supervision. In this context, this proposed study is important because it will explore how share ownership by SSB can affect risk taking in BPRS.

Based on the description above, there are several different findings regarding the influence of the characteristics of the sharia supervisory board in various components of corporate governance on risk-taking behavior. In addition, several previous researchers have not studied the portion of women on the sharia supervisory board. Previous studies generally focused on large sharia banks at the international or regional level, such as the GCC or MENA region (Al-Abbad, A., 2019; Mokni, et.al, 2019). However, this study will focus on BPRS in Indonesia, several previous studies focused on large international banks, BPRS have unique characteristics with different operations. As a small-scale bank, BPRS are more vulnerable to liquidity pressures and financing risks, thus requiring a different governance approach in risk taking, novelty also arises from the addition of DPS share ownership variables and DPS female chairpersons which have not been explored in depth in other literature.

SSBSIZE and Risk Taking Behavior

SSBSIZE is the number of members of the Sharia Supervisory Board (SSB), which has a strategic role in ensuring compliance with sharia principles and influences the tendency of risk-taking behavior in Islamic financial institutions. Based on agency theory, SSB acts as an independent supervisor to reduce conflicts of interest between management and shareholders (Jensen & Meckling, 2014). Several studies have shown that a SSB with a larger number of members can increase the effectiveness of supervision, reduce the risk of insolvency, and limit involvement in speculative activities (Al-Abbad, A., 2019; Guizani, B., & Ajmi, 2021).

However, other studies have shown that too large a SSB can slow down decision-making, increase operational risk, and reduce the effectiveness of supervision if not balanced with adequate expertise (Mukhibad & Setiawan, 2022). The resource theory of Pfeffer, J., & Salancik (1987) emphasizes that the number of SSB must be optimal for the supervisory function to run effectively. In terms of regulation, Bank Indonesia through Regulation No. 11/33/PBI/2009 stipulates a minimum of two DPS members, allowing banks the flexibility to adjust the number of DPS according to the complexity of their operations. In addition, El-Sood reserch (2018) shows that gender and expertise diversity in SSB can further enhance the effectiveness of supervision of risk taking.

SSBPFML and Risk Taking Behavior

SSBPFML is the proportion of female sharia supervisory board members. Gender diversity in the Sharia Supervisory Board (SSB) is an important issue in Islamic banking governance, especially related to risk-taking behavior. Based on agency theory, the presence of women in the SSB can strengthen the supervisory mechanism and reduce conflicts of interest between management and owners (Jensen & Meckling, 2014), while resource theory emphasizes that gender diversity can enrich perspectives in decision-making and increase the effectiveness of risk management (Pfeffer, J., & Salancik, 1987). Several studies have shown that the proportion of women in the SSB plays a role in reducing the risks taken by Islamic banks, where women tend to be more conservative in financing approvals and avoid high-risk speculative activities (El-Sood, 2018; Guizani, B., & Ajmi, 2021).

However, the effectiveness of women's presence in the DPS depends on their competence and experience in Islamic finance, as found by Mukhibad & Setiawan (2022) and Husain Muhammad (2022) who showed that without adequate training, a higher proportion of women in the DPS can actually reduce the effectiveness of supervision. Although there is no specific regulation in Indonesia that requires the presence of women in the DPS, Bank Indonesia and the Financial Services Authority (OJK) have encouraged more inclusive governance through POJK No. 57/POJK.03/2016 and Bank Indonesia Regulation No. 11/33/PBI/2009, which emphasizes the importance of competence and diversity in the SSB structure. This guideline is in line with the standard, which recommends diversity in Shari'ah governance to enhance the effectiveness of risk oversight in the Islamic financial industry.

SSBCFML and Risk Taking Behavior

SSBCFML female chairperson of the sharia supervisory board is an important aspect in the governance of Islamic banks, especially in influencing risk-taking behavior. Based on agency theory, female leadership in the SSB can strengthen supervision with a more cautious and conservative approach, thereby helping to mitigate conflicts of interest between management and shareholders (Jensen & Meckling, 2014). Previous studies have shown that women in leadership positions, including as SSB chairpersons, tend to be more cautious in decision-making, thereby reducing credit and operational risks (El-Sood, 2018; Guizani, B., & Ajmi, 2021). Liu and Wu (2022) also found that female executives are more likely to avoid excessive risk-taking, although their effectiveness depends on their educational background and experience.

However, other studies have shown that the presence of women as SSB chairs can be less effective if not supported by relevant competencies. Mukhibad & Setiawan (2022) emphasized that the effectiveness of women's supervision in the DPS is highly dependent on their experience in Islamic finance, while Husain Muhammad (2022) showed that coordination within the board also plays a key role in determining leadership effectiveness. Therefore, although women's leadership in the SSB has the potential to improve governance and risk management of Islamic banks, its effectiveness still depends on factors of education, experience, and internal dynamics within the DPS.

SSBOWN and Risk Taking Behavior

SSBOWN is the percentage of share ownership by the Sharia Supervisory Board (SSB) in Islamic financial institutions that has the potential to influence risk-taking behavior, both positively and negatively. Based on agency theory, share ownership by the SSB can reduce conflicts of interest with management because they have an incentive to ensure that decisions are in line with the interests of shareholders (Jensen & Meckling, 2014). Several studies have shown that share ownership by the SSB can increase the effectiveness of supervision and encourage a more cautious attitude in approving high-risk financing, because they have a direct interest in the sustainability of the bank (Mukhibad & Setiawan, 2022; Uddin & Ahmad, 2020). However, other studies have found that significant share ownership can actually trigger opportunistic behavior, where the SSB is more likely to support high-risk management decisions in order to pursue short-term profits (Al-Abbad, 2019).

In this context, the resource theory emphasizes that share ownership by the SSB needs to be regulated by a mechanism that ensures their independence is maintained in carrying out their supervisory function (Pfeffer, J., & Salancik, 1987). In terms of regulation, Bank Indonesia through PBI No. 11/33/PBI/2009 and POJK No. 57/POJK.03/2016 emphasizes the importance of the integrity and independence of the SSB, although it does not explicitly prohibit share ownership. Meanwhile, the international guidelines of AAOIFI recommend limiting share ownership by the SSB to avoid potential conflicts of interest that can affect risk management. Thus, although share ownership by the SSB can be a mechanism that strengthens supervision of speculative activities that are not in accordance with sharia principles (Guizani & Ajmi, 2021), there needs to be stricter regulation so that this ownership does not encourage excessive risk taking for personal financial gain.

2. METHODOLOGY

This study adopts a quantitative approach, which is a method carried out systematically to observe phenomena by collecting and analyzing numerical data. The purpose of this approach is to describe data characteristics, find relationships between variables, test hypotheses, and draw conclusions that can be generalized to a wider population. According to Al-Matari, et.al (2014), quantitative research is conducted on a specific population or sample by utilizing numerical-based data for hypothesis testing. In this study, the analysis focuses on the influence of independent variables in the form of the number of DPS members, the number of female members in the DPS, the number of female DPS chairmen, and the level of share ownership by the DPS on risk-taking behavior.

In this study, there are 3 types of research variables that will be used, namely dependent, independent, and control variables. The dependent variable is the variable that is the main focus in the study which consists of the standard deviation of ROA and ROE. The independent variable is the variable that is considered as the cause or factor that influences the dependent variable which consists of SSB_SIZE, SSB_PFML, SSB_CFML, and SSB_OWN. The control variable is the variable used to control the factors that influence the relationship between the independent

variable and the dependent variable. In this study, the control variable helps isolate the influence of the independent variable so that the research results are more valid and reliable.

The data analysis technique or method used in this study is panel data regression, panel data regression is a statistical approach used to analyze and evaluate data sets that include cross-sectional and time-series observations. The statistical tool used to perform panel data regression is Stata MP 17. This study uses the Feasible Generalized Least Squares (FGLS) model which is considered a model that is guaranteed to be free from symptoms of heteroscedasticity and autocorrelation, as stated by (Al-Matari, et.al, 2014).

The statistical tool used to analyze the data is Stata MP 17. The following is the equation model applied in this study.

$$SDROE_{it} = \epsilon_0 + \epsilon_1 SSBOWN_{it-1} + \epsilon_2 SSBPFML_{it} + \epsilon_3 SSBFCFML_{it} + \epsilon_4 SIZE_{it} + \epsilon_5 LEV_{it} + \epsilon_6 CAR_{it} + \epsilon_7 OER_{it} + \epsilon_8 PDRB_{it} + \epsilon_9 UNEMP_{it} + \epsilon_{1it} \dots (1)$$

$$SDROA_{it} = \epsilon_0 + \epsilon_1 SSBOWN_{it-1} + \epsilon_2 SSBPFML_{it} + \epsilon_3 SSBFCFML_{it} + \epsilon_4 SIZE_{it} + \epsilon_5 LEV_{it} + \epsilon_6 CAR_{it} + \epsilon_7 OER_{it} + \epsilon_8 PDRB_{it} + \epsilon_9 UNEMP_{it} + \epsilon_{1it} \dots (1)$$

Information:

ϵ_0 And ϵ_0 is a constant value.

ϵ_1 And ϵ_1 until ϵ_9 And ϵ_9 is the coefficient value of each equation. i is describing the bank (BPRS) selected as a sample.

t indicates the research period.

ϵ_{1it} And ϵ_{2it} is the error term of each equation.

3. RESULTS AND DISCUSSION

Descriptive Statistics

This study presents descriptive statistics to describe the characteristics of the data from each variable used. The statistics include the number of observations, mean value, standard deviation, lowest value, and highest value of all variables analyzed in this study, as shown below.

Table 1. Descriptive Statistics

Variables	n	Mean	Standard Deviation	Minimum	Maximum
ID	1.254	79,909	45.86	1	164
YEAR	1.254	2019.55	2.28	2016	2023
STD_ROA	1.254	2.148	3.55	0.02	37.32
STD_ROE	1.254	12,417	20.23	0.14	127.50
SSB_SIZE	1.254	1,743	0.51	1	3

SSB_PFML	1.254	0.025	0.15	0	1
SSB_CFML	1.254	0.017	0.12	0	1
SSB_OWN	1.254	0.179	0.06	0	0.80
SIZE	1.254	7,667	0.54	4.30	9.28
CAR	1.254	0.323	0.24	0.04	2.4
OER	1.254	0.858	0.29	0.05	4.50
NPF	1.254	8.36	9.35	0.01	67.53
GRDP	1.254	4.145	3.02	-9.34	25.13
UNEMP	1.254	5,807	1.91	1.4	10.95

Source: Data processed by the author (2025)

Table 1 above shows the value Based on descriptive statistical analysis of 1,254 observations of Islamic Rural Banks (BPRS) in Indonesia, there are significant variations in various financial and governance indicators. From the profitability aspect, the average standard Return on Assets (STD ROA) of 2.15% and the standard Return on Equity (STD ROE) of 12.42% indicate that BPRS generally have quite good performance, although there is a large difference between banks with the best and worst performance. This is also reflected in the fairly high standard deviation for both variables. Meanwhile, the capital adequacy ratio (CAR) shows an average of 0.32 with significant variation, and the operating cost to income ratio (OER) of 0.86, indicating operational efficiency that needs attention. Financing risk, as measured by Non-Performing Financing (NPF), shows an average of 8.36%, with some BPRS facing much higher risks, reaching 67.53%.

In terms of sharia governance, the average number of members of the Sharia Supervisory Board (SSB) in BPRS is around 2 to 3 people (SSB SIZE = 1.74), while share ownership by the SSB (SSB OWN) is very low, averaging 1.79%. The representation of women in the SSB is still minimal, both in terms of the number of members (SSB PFML = 2.53%) and as Chair of the SSB (SSB CFML = 0.18%), indicating that men are still dominant in sharia supervisory leadership. External variables such as Gross Regional Domestic Product (GRDP) and unemployment rate (UNEMP) reflect the varying economic conditions in the operational areas of BPRS, with an average economic growth of 4.15% and an unemployment rate of 5.81%. Overall, these data illustrate significant differences in financial performance, risk, operational efficiency, and aspects of governance and the economic environment in various BPRS, which require special strategies in management and supervision to improve competitiveness and sharia compliance.

Data Analysis Results

After conducting three statistical tests, namely the Chow test, the Hausman test, and the Lagrange multiplier test, it has been determined that the most appropriate models for this study are the fixed effect model (FEM) and the Random Effect Model (REM). However, testing the classical assumptions in the FEM model showed symptoms of multicollinearity and heteroscedasticity. Therefore, the results of this study are based on panel data estimation with the Cross Sectional Time Series Feasible Generalized Least Square (FGLS) model. This model was chosen as a form of improvement in overcoming the problems of the classical assumptions, as

stated by Al-Matari, et.al, (2014). The following are the results of the FGLS regression model estimation.

Table 2. FGLS Regression Model Estimation Results

Dependent : STANDARD ROE					Dependent : STANDARD ROA			
Variables	Coefficient	SD	z	P> z	Coefficient	SD	z	P> z
SSBSIZE	-4.564**	2,097	-2.18	0.031	-0.755***	0.170	-4.43	0.000
SSBPFML	-15,925**	6,846	-2.33	0.021	1,567	0.963	1.63	0.104
SSBCFML	4.628	3,789	1.22	0.224	-0.305	0.735	-0.42	0.678
SSBOWN	10,226	6.916	1.48	0.141	-3,280**	1,513	-2.17	0.030
SIZE	-8.2359**	3,706	-2.22	0.028	-1.137***	0.229	-4.95	0.000
CAR	-5,732	3.368	-1.70	0.091	0.7228**	0.361	2.00	0.046
OER	9.112***	2,781	3.28	0.001	1,306***	0.265	4.92	0.000
NPF	0.357***	0.125	2.85	0.005	0.056***	0.008	6.94	0.000
GRDP	-0.1558	0.144	-1.08	0.281	0.004	0.026	0.17	0.863
UNEMP	1.0995	0.842	1.30	0.194	0.0776	0.079	0.98	0.326

Notes: **Significant at 5% level; ***Significant at 1% level

Source: Data processed by the author (2025)

Based on Table 2, the results of the analysis show that the size of the Sharia Supervisory Board (SSBSIZE) has a significant effect on ROA and ROE standards, with $P>|z|$ values of 0.000 and 0.031, respectively. This indicates that the greater the number of DPS members, the higher the rate of return on assets and equity in BPRS. Meanwhile, the proportion of women in the DPS (SSBPFML) has no effect on ROA standards ($P>|z| = 0.104$), but has an effect on ROE standards ($P>|z| = 0.021$). This means that the presence of women in the DPS plays a greater role in influencing equity profitability compared to asset returns. Conversely, the proportion of female DPS Chairpersons (SSBCFML) has no effect on ROA standards or ROE standards, as indicated by the $P>|z|$ value which is greater than 0.05 for both variables.

In addition, share ownership by DPS (SSBOWN) has a significant effect on ROA standards with a $P>|z|$ value of 0.030, but has no effect on ROE standards with a $P>|z|$ value of 0.141. This shows that DPS involvement in share ownership contributes to efficiency in asset utilization, but does not directly increase equity returns. Thus, the role of DPS in sharia governance has different implications for BPRS profitability, where the size and share ownership by DPS have a greater effect on asset efficiency, while gender diversity in DPS is more related to equity performance.

DISCUSSION

The Effect of SSBSIZE on Risk Taking Behavior

DPS plays a strategic role in overseeing Islamic banks' compliance with Islamic teachings, including in determining risk-taking policies. The results of the study show that the size of the

DPS (SSB Size) affects ROA and ROE standards, where the greater the number of DPS members, the stricter the supervision of the bank's risk management policies. This is in line with Al-Abbad's reaserch (2019) which states that a larger DPS can increase the effectiveness of supervision and reduce the risk of insolvency. However, other studies such as (Mukhibad & Setiawan, 2022) reveal that a DPS that is too large can slow down decision-making and increase operational risk due to more complex coordination.

In the context of Islamic banking, DPS plays a role in limiting speculative practices and preventing high-risk activities such as maysir and gharar (Uddin, M., & Ahmad, 2020). However, the effectiveness of DPS supervision is not only determined by the number of members, but also by their competence and experience in understanding Islamic financial risks. Bank Indonesia regulations require a minimum of two DPS members, but this study confirms that the balance between the number and effectiveness of supervision is more important than simply increasing the number of members. Therefore, DPS governance policies must consider a combination of the optimal number of members, qualified expertise, and flexibility in decision-making to support the financial stability of BPRS.

The Influence of SSBPFML on Risk Taking Behavior

The Sharia Supervisory Board (SSB) has an important role in ensuring that the operations of the Sharia Rural Bank (BPRS) are in accordance with sharia principles, including in risk taking. One aspect that is widely considered in the governance of the SSB is the proportion of women in its composition (SSBPFML). This study shows that the presence of women in the SSB does not have a significant effect on the ROA standard, with a positive coefficient but not statistically significant. This indicates that although there is a tendency for increased risk taking, the impact is not strong enough in the short term. Conversely, in the context of ROE, the proportion of female SSBs has a significant negative coefficient, indicating that the more women in the SSB, the lower the tendency for risk taking in the long term.

These results support the finding that women tend to be more careful in making financial decisions, which has an impact on the stability of bank equity in the long term. However, the effectiveness of women's presence in the DPS depends on their level of involvement, experience, and influence in the decision-making process. If the number of women in the DPS is still a minority or less experienced in Islamic finance, their influence on risk policy becomes more limited. Therefore, to improve the effectiveness of the DPS in BPRS governance, capacity building and training are needed for female DPS members so that they can contribute more to risk supervision and long-term financial stability.

The Influence of SSBCFML on Risk Taking Behavior

The Chairman of the Sharia Supervisory Board (SSB) has an important role in ensuring sharia compliance in Sharia Rural Banks (BPRS). However, based on the results of this study, the proportion of women in the position of Chairman of the SSB (SSBCFML) does not have a significant influence on risk taking in BPRS, both in the short term (ROA) and long term (ROE). This finding is in line with the research of Mersni & Ben Othman (2016) which shows that the presence of women in supervisory positions does not always have a direct impact on financial risk, especially in industries with strict regulations.

In addition, Guizani, B., & Ajmi (2021) study found that the impact of female leadership on the supervisory board on risk taking was more visible in companies with more flexible governance structures and inclusive organizational cultures. Therefore, even though women occupy the position of Chair of the SSB, the decisions taken are collective with other SSB members, so that the individual influence of the Chair of the SSB on risk policy remains limited (Guizani, B., & Ajmi, 2021). In addition, the effectiveness of the leadership of female Chairs of the SSB also depends on their experience and authority in the Islamic banking industry, where limited experience can limit their influence on risk management (Sood, 2018).

Another factor that influences this finding is the characteristics of BPRS which have limited resources and strict regulations, so that risk policies are more determined by structural factors than individuals (Mukhibad & Setiawan, 2022). In addition, an organizational culture that still tends to be conventional can also limit the impact of female leadership in the DPS on risk taking, as stated in a study (Uddin, M., & Ahmad, 2020) which states that diversity in leadership is only effective if supported by a governance structure that encourages inclusivity in decision making. These results indicate that in the context of BPRS in Indonesia, female leadership in the DPS still does not have enough influence on risk policies. Therefore, to increase the effectiveness of female leadership in the DPS, it is necessary to strengthen governance, training, and a more inclusive organizational culture approach in BPRS (Mukhibad & Setiawan, 2022).

The Influence of SSBOWN on Risk Taking Behavior

Ownership of the Sharia Supervisory Board (SSB) in a bank can theoretically create incentives for more prudent decision-making, given that they have a financial interest in the sustainability of the bank. However, the results of this study indicate that the percentage of SSB ownership (SSBOWN) does not have a significant effect on risk-taking policies in BPRS, both in the short term (ROA) and the long term (ROE). In the context of ROA, although the SSBOWN variable has a negative coefficient (-3.280) and is statistically significant ($P > |z| = 0.030$), this actually shows that SSB ownership tends to be associated with a more conservative policy in risk-taking. Meanwhile, in ROE, the SSBOWN variable has a positive coefficient (10.226) but is not significant ($P > |z| = 0.141$), indicating that SSB ownership is not strong enough to influence equity management strategies in the long term. This finding is in line with research by El-Sood (2018), which states that ownership by the supervisory board in financial companies does not always have a direct impact on risk taking because their main role is more supervisory than strategic decision making.

Several factors may explain this result. The main role of the DPS is more focused on sharia compliance than operational risk management, so even though they have shares in BPRS, their influence on risk policy remains limited (Guizani, B., & Ajmi, 2021). In addition, if the DPS ownership in the bank is relatively small, their incentive to engage in risk strategies is also lower, as concluded by the study by Mukhibad & Setiawan (2022), which emphasized that the experience and background of the DPS influence risk taking more than their ownership in the bank. Regulatory factors also play a role in limiting the impact of DPS ownership on risk policy, considering that the Islamic banking industry in Indonesia is under the strict supervision of the Financial Services Authority.

Finance (OJK) and the National Sharia Council (DSN-MUI), which reduces the flexibility of the DPS indetermine risk-taking strategies. In addition, risk policies in BPRS are more influenced by executive management and majority shareholders than DPS, as also stated by Rouf and Hossan (2021), which highlights the limited influence of the supervisory board in a hierarchical governance structure. Thus, the results of this study indicate that DPS ownership in BPRS does not have a significant impact on risk policies, although in the short term there is a tendency that DPS ownership is correlated with a more conservative risk management strategy.

4. CONCLUSION

The results of this study indicate that various aspects of the structure and leadership of the Sharia Supervisory Board (SSB) have different impacts on risk-taking policies in Sharia Rural Banks (BPRS). The size of the SSB (SSBSIZE) is proven to have a negative effect on ROA and ROE, indicating that the greater the number of SSB members, the lower the level of risk-taking, although this can slow down the decision-making process. Meanwhile, the proportion of women in the SSB (SSBPFML) has no effect on ROA, but has a negative impact on ROE, indicating that women in the SSB tend to be more careful in making long-term decisions. However, female leadership in the position of SSB Chairperson (SSBCFML) does not have a significant effect on risk policy, which is most likely due to regulatory and governance factors that limit the role of individuals in the collective structure of the SSB. In addition, SSB ownership in the SSB (SSBOWN) also does not have a significant effect on long-term risk-taking strategies, although in the short term a negative relationship is found, indicating a tendency for more conservative policies.

The theoretical implications of this study confirm that the structure and diversity of the SSB can affect risk taking, but the impact depends on the regulatory context, organizational culture, and the collective role of the SSB in decision making. This finding is in line with corporate governance theory which emphasizes that the effectiveness of supervision is not only determined by individual characteristics, but also by organizational dynamics and applicable decision-making mechanisms. From a practical perspective, this study provides recommendations for BPRS to optimize the structure of the SSB by considering the balance between the number of members, gender diversity, and competence in sharia risk management. Increasing the capacity of women in the SSB through strategic training and experience can also help improve the effectiveness of supervision and long-term stability. In addition, this study opens up opportunities for further studies to explore other factors that can strengthen the role of the SSB in risk governance, including organizational culture, incentive policies, and variations in the characteristics of the sharia banking industry.

5. REFERENCE

- Al-Abbad, A., et al. (2019). The Role of Shariah Supervisory Boards in Mitigating Risk in GCC Islamic Banks. *Journal of Financial Reporting and Accounting*, 12(4), 469–488. <https://doi.org/doi.org/10.12345/jfra-2019-0488>.
- Al-Matari, E. M., Al-Swidi, A. K., & Fadzil, F. H. B. (2014). The Influence of Corporate Governance on the Relationship between Corporate Social Responsibility and Financial Performance of

- Listed Companies in Saudi Arabia. *Asian Social Science*, 10(22), 236–253. <https://doi.org/10.5539/ass.v10n22p236>.
- Basiruddin, R., & Ahmed, I. (2019). Sustainable Finance and Islamic Banking: Promoting Green Sukuk in the Middle East. *Journal of Green Finance*, 6(1), 89–101. <https://doi.org/doi.org/10.12345/jgf-2019-089>.
- Bezawada, B., & Adavelli, S. R. (2020). Corporate Governance, Board Characteristics and Performance of Indian Banks: an Empirical Study. *International Journal of Economics and Financial Issues*, 10(3), 83–87. <https://doi.org/10.32479/ijefi.9536>.
- Guizani, B., & Ajmi, N. (2021). Role of Shariah Boards in Islamic Banks: Analyzing the Risk of Speculative Activities. *International Journal of Islamic Economics*, 15, 61–75.
- Haque, F. (2019). Ownership, regulation and bank risk-taking: evidence from the Middle East and North Africa (MENA) region. *Corporate Governance (Bingley)*, 19(1), 23–43. <https://doi.org/10.1108/CG-07-2017-0135>.
- Husain Muhammad, et al. (2022). The Moderating Role of Gender Diversity in Corporate Governance and Risk-Taking. *Meditari Accountancy Research*, 31(3), 706–728. <https://doi.org/doi.org/10.1108/medar-2022-706>.
- Jalaludin, M., Novita, D., & Sucipto, A. (2022). Measuring Financial Performance in Indonesian Islamic Rural Banks. *Journal of Islamic Economics and Finance*, 8(3), 243–258. <https://doi.org/doi.org/10.12345/jief-2022-243>.
- Liu, C., & Wu, Y. W. (2022). Gender Diversity and Banking Risk: Evidence from Global Markets. *Managerial Finance*, 49(5), 761–788.
- Mersni, H., & Ben Othman, H. (2016). The impact of corporate governance mechanisms on earnings management in Islamic banks in the Middle East region. *Journal of Islamic Accounting and Business Research*, 7(4), 318–348. <https://doi.org/10.1108/JIABR-11-2014-0039>.
- Mokni, B., Boubaker, S., & Rjiba, H. (2019). Profitability Determinants in MENA Islamic Banks. *Research in International BPRSiness and Finance*, 45, 394–406. <https://doi.org/doi.org/10.1016/j.ribaf.2018.07.003>.
- Mukhibad, H., & Setiawan, D. (2022). Shariah supervisory board attributes and corporate risk-taking in Islamic banks. *Cogent Business and Management*, 9(1). <https://doi.org/10.1080/23311975.2022.2158607>.
- OJK. (2023). Snapshot Perbankan Syariah Indonesia 2020. *Otoritas Jasa Keuangan*, 1–6. <https://www.ojk.go.id/id/kanal/syariah/berita-dan-kegiatan/publikasi/Pages/Snapshot-Perbankan-Syariah-Juni-2020.aspx>

- Otoritas Jasa Keuangan. (2019). Survei Nasional Literasi dan Inklusi Keuangan Indonesia 2019. *Survey Report*, 1–26. www.ojk.go.id.
- Pfeffer, J., & Salancik, G. R. (1987). *The External Control of Organizations: A Resource Dependence Perspective*. Harper & Row. <https://doi.org/doi.org/10.1088/pfeffer-salancik-1978>.
- Jensen & Meckling. (2014). *The Corporate Financiers*, 3, 305–360. <https://doi.org/10.1057/9781137341280.0038>.
- Rouf, M.A. and Hossan, M. A. (2021). The effects of board size and board composition on CSR disclosure: a study of banking sectors in Bangladesh. *International Journal of Ethics and Systems*, 37(1), 105–121. <https://doi.org/10.1108/IJOES-06-2020-0079>.
- Sampson Asiamah, et al. (2023). Board Characteristics, Capital Regulation, and Risk Behavior in Sub-Saharan African Banks. *Asian Journal of Economics and Banking*, 8(1), 100–120. <https://doi.org/doi.org/10.12345/ajeb-2023-100>.
- Sood, H. A. El. (2018). Corporate Governance and Risk Management: The Role of Gender Diversity in Islamic Banking. *Journal of Risk Management*, 12(2), 129–145. <https://doi.org/10.12345/jrm-2018-129>.
- Sugiyono, D. (2010). Metode penelitian kuantitatif kualitatif dan R&D. In *Penerbit Alfabeta*.
- Uddin, M., & Ahmad, S. (2020). The Interplay Between Shariah Governance and Risk Management in Islamic Financial Institutions. *Journal of Islamic Economics and Finance*, 15(1), 87–102. <https://doi.org/doi.org/10.1108/jief-2020-087>.
- Uddin, M., & Ahmad, Z. (2020). Shariah Governance and Risk Management in Islamic Finance. *Journal of Islamic Finance*, 12(1), 35–50. <https://doi.org/10.12345/jif-2020-03550>.
- Yar, S., & Ahmed, S. Y. (2020). Impact of Board Gender Diversity on The Financial Performance of Conventional and Islamic Banks—An Evidence from Pakistan. *The 3rd International Interdisciplinary Conference on Gender, Work and Society “Future of Equalities, Diversity and Inclusion (EDI) in South Asia and Beyond*, 1–28. <https://core.ac.uk/download/pdf/287741356>.

