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BUSY COMMISSIONERS AND FIRM PERFORMANCE: DO *SHARIAH*-COMPLIANT FIRMS MATTER?

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ABSTRACT

The empirical literature on a one-tier board system has recently focused on busy directors, defined as directors holding multiple similar positions in more than one firm simultaneously. In the same spirit, this paper investigates the impact of busy commissioners (instead of busy directors) on firms' performance for the case of Indonesia, a country adopting a two-tier board system. We find that busy commissioners do not impact accounting performance but are negatively associated with market performance. The markets tend to react negatively to the presence of busy commissioners, while actually the firms are also not advantaged financially by their presence. Interestingly, we also find that *Shariah*-compliant firms tend to have better accounting performance but not market performance. Our analysis further reveals that the negative impact of busy commissioners on market performance diminishes in non-*Shariah*-compliant firms. Perhaps, the different characteristics of *Shariah*-compliant and non-*Shariah*-compliant companies, wherein *Shariah*-compliant firms tend to restrict leverage and cash level, account for the results. These findings are robust across various regressions. This research calls on policymakers to enforce the regulation regarding commissioners to reduce its detrimental impact on performance. The regulators should also collaborate with relevant agencies to educate and promote the existence of *Shariah*-compliant firms in Indonesia.

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I. INTRODUCTION

1.1. Background

Multiple directorship or a busy board member, defined as a board member holding multiple board positions outside the company, has gained interest from both policymakers and researchers recently[1]. On one hand, busy boards are believed to positively impact firm performance, as they can provide benefits to the firms from the private information or political connection they have (S. P. Lee & Isa, 2015; Li & Chen, 2018; Sarkar & Sarkar, 2009; Ye, Deng, Liu, Szewczyk, & Chen, 2019). Tarkovska (2012) argue that the busyness of the board member is related to the network they have; the more position they hold outside the company, the more network they have, and this is good for the company (Tarkovska, 2012). However, on the other hand, another stream of literature argues that busy boards detriment firm performance. Prior research has shown that the presence of busy commissioners can increase firms' operational risk (K. W. Lee & Lok, 2020) and reduce their efficiency (Tan, Kamarudin, Bany-Ariffin, & Abdul Rahim, 2020) because they have less time to supervise the company (Xia, Zhang, Cao, & Xu, 2018).

This paper examines the impact of a commissioner's busyness on firm performance in Indonesian. In Indonesia, the poor governance system that can be seen from the existence of the commissioners holding multiple positions at the same time has been a problem and has attracted the attention of policymakers in recent years. According to a mjor news media, there are 62 commissioners who have held concurrent positions in 1 to 22 firms[2]. Trinugroho et al. (2023) also find that in 2018, 222 government officials held concurrent positions in Indonesian public service organizations and other government firms, raising the issue of weak governance. The Ombudsman (2022) also finds that until 2019, 397 commissioners were holding multiple positions in various government firms and subsidiaries.

We hypothesize that busy commissioners have a negative impact on firm performance. Several earlier studies focusing on countries in the Asia-Pacific region produce negative results (Tan, Bany-Ariffin, Kamarudin, & Abdul Rahim, 2019). The empirical findings from India, a country with economic characteristics that are quite close to Indonesia, also shows the same result (Jackling & Johl, 2009; Pandey, Vithessonthi, & Mansi, 2015), signalling a poor governance system. The negative impact of busy commissioners is possibly due to the inability of busy commissioners to exert and effectively exercise monitoring activity. According to Prabowo & Simpson (2011), Indonesia has weak legal systems, less developed markets, and concentrated ownership, so busy directors or busy commissioners cannot make a positive impact to the firm. The negative impact of the commissioners' busyness is also empirically supported by Trinugroho et al. (2023).

Indonesia has a Muslim population that is equal to 13% of all Muslims worldwide (Dinar Standard, 2022). As a result, Indonesia is expected to have a strong Islamic economic market (Bappenas, 2019). Based on the Global Islamic

1 Busy board members can be either linked to the board of directors or the board of commissioners. While the former has been widely investigated, the latter received minor attention.

2 https://www.cnnindonesia.com/ekonomi/20210325064648-92-621799/bahaya-izin-rangkap-jabatan-direksi-bumn-di-perusahaan-swasta (page in Bahasa Indonesia)

Economy Indicator, Indonesia is fourth in the world (Dinar Standard, 2022). This shows Indonesia's potential to become a major global player in Islamic economics (Bappenas, 2019). Indonesia is also among the top 10 nations with the greatest number of customers in numerous halal industry areas (Dinar Standard, 2022).

The large Muslim population in Indonesia stimulates the business and financial sectors to act rapidly to provide facilities and amenities that are suitable for Muslims, such as Islamic fashion, Islamic tourism, Islamic banks, and Islamic stocks. Regarding Islamic stocks and capital markets, Indonesia has two major *Shariah* indexes: the JII (Jakarta Islamic Index) and ISSI (Indonesian *Shariah* Stock Index). Because religious Muslims may only desire to participate in shares that have obtained *Shariah* labels and because religiosity elements are factors that influence and moderate performance, the introduction of these two indexes is meant to make Indonesians feel comfortable investing in the stock market (Al-Awadhi & Dempsey, 2017).

Although being *Shariah*-compliant means that the firms have fewer opportunities to conduct their business practices, the literature mostly shows that *Shariah*-compliant firms have a better performance than non-*Shariah* firms. Boubakri *et al.* (2019) demonstrate that *Shariah*-compliant firms with excellent governance consistently deliver exceptional performance. *Shariah*-compliant enterprises offer options for investors (e.g., to build a portfolio with a low unsystematic risk) to discover investment alternatives without any speculative practices, secured with underlying assets, and free from any ethical issues. Moreover, *Shariah*-compliant firms tend to perform better than non-*Shariah*-compliant enterprises during the crisis (Ashraf & Khawaja, 2016; Jawadi, Jawadi, & Louhichi, 2014). A study conducted in the UK shows that *Shariah*-compliant firms have better performance when credit is tightened (Alam & Rajjaque, 2016). Jawadi *et al.* (2014) also find that in Europe, America, and several other countries, *Shariah*-compliant firms have better performance. Research conducted in Middle Eastern countries also finds that *Shariah*-compliant firms have a lower liquidity risk (Al-Awadhi & Dempsey, 2017). Related to the rate of return, Alam *et al.* (2016) also find that *Shariah*-compliant firms are more profitable.

Based on the above-mentioned description, this study aims to answer the questions: (1) whether the busy commissioners has a negative influence on firm performance of Indonesian firms, (2) whether *Shariah*-compliant firm has a positive impact on firm performance, and (3) whether the busy commissioners' effect on firm performance is different between *Shariah*-compliant firm and non-*Shariah*-compliant firm. To answer these questions, this study use a sample of 460 non-financial firms in Indonesia consisting of 246 *Shariah* firms and 214 non-*Shariah* firms from 2016 to 2020, yielding 1,891 firm-year observations.

The contribution of this paper is twofold. First, this paper enriches empirical studies on firm governance in emerging countries. It has to be noted that emerging countries have different characteristics from developed countries, such as poor law enforcement (Prabowo & Simpson, 2011). Moreover, our sample, Indonesia, provides a good laboratory experiment for a two-tier board system that receives little attention in the research. Following Trinugroho et al. (2023), the choice of "commissioners" instead of "directors" as a factor that will influence firm performance will have a significant contribution to the literature. This paper is

close to Trinugroho et al. (2023) but differs from them in regards to the performance measurement. While Trinugroho et al. (2023) use a market-based proxy, we use an accounting-based proxy. The market-based proxy tends to be biased and driven by market sentiments. In addition, Indonesian investors also pay more attention to accounting performance rather than market performance (Wahyudin & Solikhah, 2017).

Second, to our knowledge, this is the first paper investigating the moderation impact of *Shariah*-compliant firms. Why should this issue be of interest? Why should the market pay attention to this? The answer can be seen from the demand and supply side. From the demand side, Indonesia is country with a large Muslim population that needs products that comply with *Shariah*. This is why, for example, for Indonesian Muslims, if they want to buy something, they will check whether the halal logo is embedded in the package. Alternatively, from the supply side, Indonesia's government is also willing to boost the development of the Islamic economy, including Islamic banking and finance. The president of Indonesia has established the KNEKS (National Committee of Islamic Economics and Finance), and the government has also introduced ISSI and JII as two major *Shariah* indexes in Indonesia.

The paper is organized as follows. Section 2 discusses the development of the hypothesis and conceptual framework. Section 3 presents the methodology. Section 4 discusses the empirical findings. Section 5 concludes.

II. HYPOTHESIS DEVELOPMENT AND THEORETICAL FRAMEWORK

2.1. Hypothesis Development

Previous research on the relationship between busy commissioners and firm performance has shown mixed results. Some empirical studies show positive results (Fich, 2005; Field, Lowry, & Mkrtchyan, 2013; Harris & Shimizu, 2004; Ferris, Jagannathan, & Pritchard, 2003) while others show negative results (Ahn, Jiraporn, & Kim, 2010; Andres, Van den Bongard, & Lehmann, 2013; Jiraporn, Kim, & Davidson, 2008). Interestingly, some other researchers find no significant relationship between busy commissioners and firm performance (Ferris, Jagannathan, & Pritchard, 2003; Kiel & Nicholson, 2006).

In our context, because concentrated ownership characterizes Indonesian firms and Indonesia is also portrayed as having a weak legal system and considered as a less-developed market (Prabowo & Simpson, 2011), we hypothesize that busy commissioners cannot favor the firm performance. As a firms' supervisors, commissioners should put a high level of monitoring especially in a challenging environment, and they cannot be "busy." In developing countries, the commissioners cannot focus on many firms simultaneously given that in a less-developed market high-level supervisory mechanisms are needed. Our argument is also supported by most papers from developing countries that show a negative impact of busy commissioners on performance (Jackling & Johl, 2009; Pandey et al., 2015; Tan et al., 2019; Trinugroho et al., 2023). Our first hypothesis is therefore stated as follows:

H_1: Busy commissioners have a negative impact on firm performance.

Several prior studies on board characteristics link company performance with governance characteristics (Claver, Molina, & Tarí, 2002; Houthoofd & Hendrickx, 2012; Ruefli & Wiggins, 2003). A company operates within *Shariah* guidelines is therefore expected to produce certain impact on the performance because, for example, *Shariah*-compliant firms have a tighter level of supervision than its non-*Shariah* counterparts (Gati, Nasih, Agustia, & Harymawan, 2020). Pepis and de Jong (2019) empirically shows that *Shariah*-compliant firms have better performance because those firms have passed *Shariah* quantitative screening. The screening can be considered as an extension of sound business practices; therefore, *Shariah*-compliant firms are also associated with better accountability, transparency, and fairness, which can ultimately promote the firms' performance. It is also reported in past papers that, regarding market performance, *Shariah*-compliant firms perform better (Al-Awadhi & Dempsey, 2017; Alam & Rajjaque, 2016; Jawadi et al., 2014; Kok, Giorgioni, & Laws, 2009). We therefore provide the second hypothesis as follows:

H_2: *Shariah*-compliant firms have a positive impact on firm performance.

In the third hypothesis, we predict that busy commissioners will have a different impact on *Shariah*- and non-*Shariah*-compliant firms. This is because Islamic characteristics can alter business practices and performance in the financial and nonfinancial firms. Trinh, Aljughaiman, & Cao (2020) find that banks with busy boards exhibit lower cost of debt than banks with non-busy boards. Because *Shariah* firms have low leverage, low cash, and low account receivables and hence are at disadvantages as compared to the non-*Shariah*-compliant firms (Farooq & Alahkam, 2016). If they have busy commissioners, their detrimental impact on the performance will be more severe. This is because busy commissioners have limited time and monitoring. Moreover, busy *Shariah* commissioners might have access to strategic information of other *Shariah* firms they sit on, which can increase the problem of confidentiality and can cause a conflict of interests (Hamdi and Zarai, 2014; Hamza, 2013; Nomran et al., 2018). The decision-making in the *Shariah* firms containing busy commissioners will also be more difficult because of less time commitment from the board and much information from outside the firm that leads to many considerations in decision-making.

H_3: The impact of busy commissioners on performance is different between *Shariah*- and non-*Shariah*-compliant firms.

2.2. Conceptual Framework

We provide a conceptional framework that links busy commissioners to firm performance in Figure 1. The key variables in our model is firm performance, which is the dependent variable, and busy commissioners and *Shariah*-compliant firms, which are the independent variables. Our data are from firms in Indonesia, a developing country with a weak legal system, a less developed market, and a low governance system. The existence of busy commissioners in this case, is predicted to be inefficient and could lead to lower performance because they are too busy and have no time commitment to supervise the firms. In developing countries, it is also predicted that the busy commissioner's networks do not work well and are

detrimental to firm performance. Therefore, the H_1 is predicted to be negative in the first bold arrow.

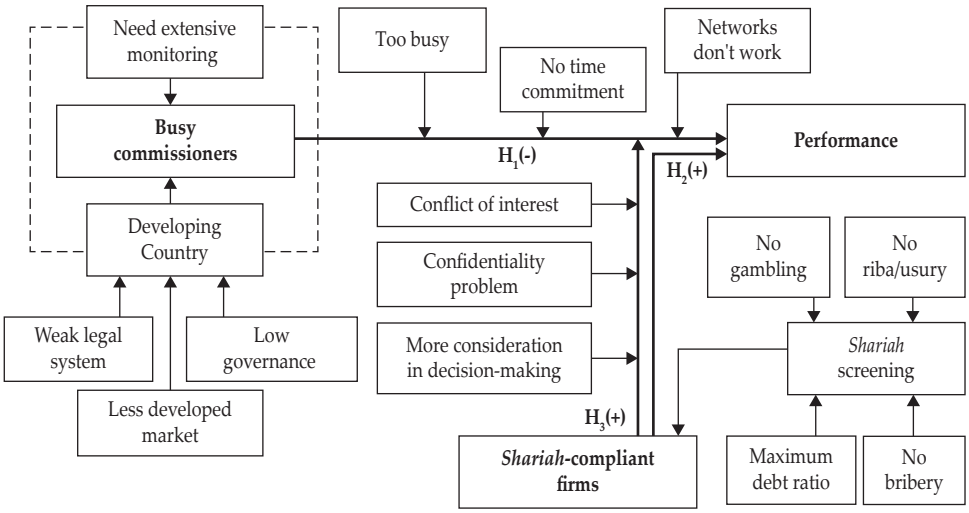

Figure 1.
Theoretical Framework

In Figure 1, *Shariah*-compliant firms could have a function as a pure independent variable (H_2) or moderating variable (H_3). In order to be a *Shariah*-compliant firms, the firms should pass Shariah screening, and they will be assessed regarding their debt ratio and their relation with interest-based financial institutions. They will also be assessed regarding their business and whether their business operation involves gambling, bribery, or any activities not allowed by the *Shariah*. In the end, the *Shariah*-compliant firms are predicted to increase market performance because they have passed *the Shariah* screening, meaning that they also have better accountability, transparency, fairness, and supervision. In other words, the sign of H_2 is predicted to be positive. Regarding H_3, we predict that the impact of busy commissioners on performance will be different if they are *Shariah*-compliant firms or not. We predict that the impact of busy commissioners will be more severe in *Shariah*-compliant firms because busy commissioners in *Shariah* compliant firms are associated with high conflict of interest and confidentiality problems with other firms that they supervise. Because *Shariah* compliant firms are essentially also more complex, when there are busy commissioners, the decision making process will be longer and it will ultimately diminish firm performance.

III. METHODOLOGY

3.1. Data

This paper uses a sample from all non-financial firms in Indonesia for a period spanning from 2016 to 2020. The data are from two sources. The governance variables, which include busy commissioners, board size, independent board, and board diversity, are retrieved from annual reports published on the firms'

websites. Other firm-level variables, i.e. ROA, ROE, firm size, and others, are fom Indonesia Stock Exchange. We retrieve all accounting and market data, create the variables, and winsorize the extreme values at 1% and 99% percentiles. In the final data, we have 392 firms for 5 years or 1,891 firm-year observations.

3.2. Variable Definitions

The dependent variable in this paper is firm performance proxied by both accounting and market profit. For accounting profit, we use return on assets (*ROA*) and return on equity (*ROE*), while for market profit, we use *TobinsQ*. *ROA* is calculated by dividing net income by total assets. *ROE* is calculated by dividing net income by total equity. *TobinsQ* is the sum of market capitalization and book value of debt divided by the total assets. These measurements are normally used in the literature (Bennouri, Chtioui, Nagati, & Nekhili, 2018; Conyon & He, 2017; Hassan, Karim, Lawrence, & Risfandy, 2022; Trinugroho et al., 2023).

The main independent variables in this paper are busy commissioners and *Shariah*-compliant firms. Following prior studies (Ferris et al., 2003; Fich & Shivdasani, 2006; Jiraporn et al., 2008), the term "busy commissioner" is commissioner (member of the board) with three or more concurrent positions as commissioners in other firms. This definition is also supported by the regulation proposed by the Council of Institutional Investors, stating that the limit of total directorship is three. To apply this definition, we use two variables following Trinugroho et al. (2023): *BusyComm* (main analysis) and *BusyMember* (robustness checks). The *BusyComm* is a dummy variable equal to one if more than 50% of the total member in the board is "busy". Meanwhile, the *BusyMember* is the percentage of busy commissioners relative to a total number of commissioners.

Shariah-compliant firms is another main independent variable, defined as the firms that have passed the *Shariah* screening in the IDX following the OJK regulation (35/POJK.04/2017). Principally, in line with (Gati et al., 2020), there are three criteria for firms to be categorized as *Shariah*-compliant firms in Indonesia[3]: (1) The firms should not be involved with gambling and trading activities prohibited by the *Shariah*, (2) The firms should not be related and in cooperation with any financial institution practicing usury and containing elements of uncertainty (such as conventional insurance) and bribery. (3) The firms must meet certain financial ratio requirements, such as a maximum debt ratio of 45% and total interest income and other non-halal income compared to total revenue and other income should not exceed 10% percent.

Following some prior studies (Gati et al., 2020; Wahyudi & Sani, 2014), we use two proxies for *Shariah*-compliant firms: *ISSI* and *JII*. Technically, the variables *ISSI* and *JII* are dummy variables equal to one if firms indexed in the ISSI or JII. The former and the latter essentially use a similar method of *Shariah* screening, but the latter limits only to 30 best *Shariah* firms (most liquid) in each half year.

3 The *Shariah* screening criteria might be very specific and differs for each country. However, the main criteria are essentially similar and can be divided into quantitative (no pork, no tobacco, no *riba*, etc.) and qualitative screening (debt limitation, interest-based revenue threshold, etc) (Anwer, Azmi, & Mohamad, 2023; Ashraf & Khawaja, 2016).

To control for firm heterogeneity, in this paper, we use several controls: *Leverage*, *LogFirmSize*, *RevenueGrowth*, *FirmAge*, and *Covid*. *LogFirmSize* is a logarithm of firms' total assets (Conyon & He, 2017). *Leverage* is used to measure the firm's ability to manage and pay off its obligations (Trinugroho et al., 2023), which is calculated as total debt divided by total assets. *RevenueGrowth* is a variable that shows how much the firm's sales or revenue grows every year (Conyon & He, 2017). *FirmAge* is the age of the firms since the establishment. *Covid* is a dummy variable, with value "1" for the observations in the year 2020 and "0" for the observations before 2020, following the prior study (Atayah, Dhiaf, Najaf, & Frederico, 2022; Hassan et al., 2022).

In the robustness checks, we also use several governance variables to oversee the consistency of our main analysis, following Trinugroho et al. (2023). The additional governance variables are *BoardSize* (total number of commissioners on the board), *IndepBoard* (percentage of independent commissioners), and *BoardDiv* (percentage of women on the board of commissioners). The explanation of all of the variables used in this study is summarized in Table 1, whereas the descriptive statistics of the variables are displayed in Table 2.

Table 1.
Variable Definition

Variable	Explanations	Reference(s)
ROA	Percentage of net income divided by total assets	Conyon and He (2017); Bennouri *et al.* (2018)
ROE	Percentage of net income divided by total equity	(Bennouri et al., 2018; Hassan et al., 2022)
TobinsQ	Market capitalization of a company plus the book value of debt, then divided by the total assets of the company.	Lee and Lok (2020)
BusyComm	A dummy variable equals one if more than 50% of a board member in the board of commissioners is categorized as a busy member (holding three or more positions outside the company).	Lee and Lok (2020); Ferris et al. (2003); Fich and Shivdasani (2006)
BusyMember	Percentage of busy commissioners relative to total commissioners	Gati et al. (2020)
ISSI	A dummy variable equals one if a firm is included in ISSI (Indonesian Stocks *Shariah* Index) to proxy *Shariah*-compliant firms.	Gati et al. (2020)
JII	A dummy variable equals one if a firm is included in the Jakarta Islamic Index (JII) as an alternative proxy of *Shariah*-compliant firms.	Wahyudi and Sani (2014)
Leverage	Percentage of debt compared to total assets	Harymawan et al. (2019)
LogFirmSize	The logarithm of total assets	Harymawan et al. (2019)
Revenue Growth	Percentage of revenue growth a firm	Iskandar (2021)
Firm Age	The year of the firm since its establishment	Harymawan et al. (2019)
Covid	Dummy variable Covid-19 pandemic, "1" for the observations in the year 2020 and "0" for the observations before 2020	Atayah *et al.* (2022)
BoardSize	Total number of commissioners in the board	Harymawan et al. (2019)
IndepBoard	Percentage of independent commissioners in the company	Harymawan et al. (2019)
BoardDiv	Percentage of woman commissioners relative to total commissioners	Conyon & He (2017)

Table 2.
Descriptive Statistics

Variable	Obs	Mean	Std. dev.	Min	Max
ROA	1,891	1.712	7.212	-14.500	16.293
ROE	1,891	3.961	16.154	-36.820	37.140
TobinsQ	1,891	2.022	3.271	0.172	23.286
BusyComm	1,891	0.050	0.217	0	1
BusyMember	1,891	13.362	20.662	0	100
ISSI	1,891	0.641	0.480	0	1
JII	1,891	0.081	0.276	0	1
Leverage	1,891	51.205	29.640	4.242	192.534
LogFirmSize	1,891	14.893	1.730	10.471	18.454
RevenueGrowth	1,891	2.086	28.752	-52.525	74.634
FirmAge	1,891	35.334	16.984	5	164
Covid	1,891	0.187	0.390	0	1
BoardSize	1,891	4.198	1.381	3	7
IndepBoard	1,891	40.855	11.012	16.667	80
BoardDiv	1,891	12.346	18.849	0	75

Notes: Please see Table 1 for variable definitions.

3.3. Econometrics Strategy

In order to investigate the impact of busy commissioners and Shariah-compliant firms on performance, we construct the following equation.

$$\begin{aligned} &ROA/TobinsQ_{it} \\ &= \alpha_o + \beta_1 BusyComm_{it} + \beta_2 ISSI_{it} + \beta_3 Leverage_{it} \\ &+ \beta_4 LogFirmSize_{it} + \beta_5 RevenueGrowth_{it} + \beta_6 FirmAge_{it} \\ &+ \beta_7 Covid_t + \varepsilon_{it} \end{aligned} \quad (1)$$

Equation (1) is estimated using the random effects method for two reasons. First, our equation has both cross-section (individual/firm) and time-series (year) dimensions. To consider both dimensions at the same time and to allow quasi-correlation within individual, the panel regression approach, such as the random effects method is needed. Second, in our paper, we have a time-invariant variable, namely, the Shariah-compliant dummy (*ISSI* in (1)). Thus, fixed-effects panel technique is not applicable as it would filter out the time-invariant dummy. In equation (1), we also correct heteroscedasticity and autocorrelation problems by using a robust standard errors.

IV. EMPIRICAL RESULTS AND DISCUSSION

4.1. Baseline Result

In the first analysis, we want to confirm our first and second hypotheses by investigating whether busy commissioners and *Shariah*-compliant firms are associated with performance. We regress *ROA* and *TobinsQ* on *BusyComm*, *ISSI*, and sets of control variables. We provide the result in Table 3.

Table 3.
Baseline Regression: Busy Commissioners and Firm Performance

	(1)	(2)
	ROA	***TobinsQ***
BusyComm	0.557	-0.942***
	(0.83)	(-2.62)
ISSI	2.494***	0.0523
	(4.22)	(0.19)
Leverage	-0.0419***	0.0128***
	(-4.33)	(2.67)
LogFirmSize	0.545***	-0.404***
	(3.57)	(-3.50)
RevenueGrowth	0.0386***	-0.00552*
	(6.42)	(-1.91)
FirmAge	0.0395**	0.00338
	(2.19)	(0.35)
Covid	-2.227***	-0.477***
	(-5.71)	(-2.83)
Constant	-6.816***	7.077***
	(-2.76)	(3.91)
N obs.	1891	1891
N firms	392	392
R-sq. (overall)	0.196	0.0559

Notes: This table presents the estimation result of equation (1) using random-effects regressions. All regressions use year fixed effects. Robust standard errors are in parentheses. Please see Table 1 for variable definitions. ***, **, and * denote significance in 1%, 5%, and 10% levels respectively

Table 3 shows that the impact of busy commissioners (*BusyComm*) on firm performance (*ROA* and *TobinsQ*) is significant, especially for *TobinsQ*. This implies that, while the market value of the firms reacts negatively to busy commissioners, they are not advantaged financially (accounting profit) by their presence. The differences between accounting and market proxies are also confirmed by some prior papers (Field et al., 2013; Trinugroho et al., 2023). As a developing country, Indonesia has a poor capital market and legal system. Accordingly, the presence of busy commissioners detriments firm performance. Perhaps, investors understand that in a challenging environment with high market imperfection like Indonesia, the busy commissioners are not effective and beneficial to the firms. Instead of favoring firms by the network and political connection they have, the busy commissioners diminish firm performance because it reflects poor governance and poor monitoring for the firms. The negative result that we obtained is also supported by many empirical studies in developing countries (Jackling & Johl, 2009; Pandey et al., 2015; Tan et al., 2019; Trinugroho et al., 2023). The first hypothesis (H_1) is therefore supported.

In Table 3, we can also see that *the Shariah*-compliant firm has a significant and positive impact on the firm's accounting performance only, in contrast with what we obtain in *BusyComm* variable. We argue that while the capital market does not see *Shariah*-compliant firms as an advantage, they have a better accounting

profit, possibly because of the *Shariah* screening. *Shariah*-compliant firms could essentially have a better quality because they have passed the screening and hence having better accountability, transparency, and fairness that could simultaneously promote firm performance. This argument is supported by Pepis & de Jong (2019) and several prior articles (Al-Awadhi & Dempsey, 2017; Alam & Rajjaque, 2016; Jawadi et al., 2014; Kok et al., 2009). In a nutshell, our second hypothesis (H_2) is supported.

4.2. Further Analysis

In this section, we analyze whether the impact of *BusyComm* differs between *Shariah*-compliant and non-*Shariah*-compliant firms. The regressions have been performed and the results are displayed in Table 4.

Table 4.
BusyComm, ISSI, and Performance

	ISSI		Non-ISSI	
	(1)	(2)	(3)	(4)
	ROA	***TobinsQ***	***ROA***	***TobinsQ***
BusyComm	1.101	-0.645**	-0.338	-1.496
	(1.39)	(-2.35)	(-0.27)	(-1.64)
Leverage	-0.0617***	0.0140*	-0.0372***	0.0101*
	(-3.49)	(1.89)	(-3.36)	(1.75)
LogFirmSize	0.600***	-0.301*	0.518**	-0.507***
	(3.07)	(-1.95)	(2.07)	(-3.23)
RevenueGrowth	0.0388***	-0.00548*	0.0398***	-0.00526
	(4.91)	(-1.69)	(4.42)	(-1.08)
FirmAge	0.0361*	0.000809	0.0464	0.00612
	(1.80)	(0.07)	(1.37)	(0.41)
Covid	-2.282***	-0.559***	-2.182***	-0.282
	(-5.21)	(-2.58)	(-2.88)	(-1.34)
Constant	-4.169	5.620**	-6.902*	8.687***
	(-1.47)	(2.44)	(-1.69)	(3.30)
N obs.	1212	1212	679	679
N firms	245	245	147	147
R-sq (overall)	0.141	0.0327	0.176	0.0904

Notes: This table presents the estimation result of equation (1) using random-effects regressions. Columns (1) and (2) display sub-sample regression results for firms indexed in ISSI (*Shariah*-compliant firms), while column (3) and (4) show sub-sample regression results for firms that are not indexed in ISSI (non-*Shariah*-compliant firms). All regressions use year fixed effects. Robust standard errors are in parentheses. Please see Table 1 for variable definitions. ***, **, and * denote significance in 1%, 5%, and 10% levels respectively

Table 5 shows that busy commissioners are negatively associated with firm performance in the ISSI sample but not in the non-ISSI sample. Confirming the baseline result, the impact is only significant for *TobinsQ* and not for *ROA*. The result means that the detrimental impact of busy commissioners is consistent for *Shariah*-compliant firms. We argue that this might be because of the confidentiality

problems and conflicts of interest that can arise if the commissioners hold positions in more than one firm at the same time (Hamdi and Zarai, 2014; Hamza, 2013; Nomran et al., 2018). Our finding is also supported by prior empirical evidence, such as Khalil and Boulila Taktak (2020)'s empirical result that multiple boards held by a *Shariah* board member in other firms cannot boost the productivity and efficiency of Islamic banks. Another possible reason is that because *Shariah* firms actually have lower investment opportunities and are considered more complex than non-*Shariah* firms (Fitriah, 2018), if they contain busy board members, the firm will need more time to execute decision-making process (Gati et al., 2020). This mechanism will, of course, not favor *Shariah*-compliant firms, especially if they want to improve their performance. All in all, the third hypothesis (H_3) is supported.

4.3. Robustness Checks

In this section, we would like to see whether our result remain consistent by conducting various batteries of robustness, and results are displayed in Table 5, 6, and 7. In Table 5, we start by changing the estimation technique with ordinary least squares (OLS) following some prior studies (Boone, Casares Field, Karpoff, & Raheja, 2007; Conyon & He, 2017). The result shows that the *BusyComm* is negatively and significantly associated with *TobinsQ*, while *ISSI* is positively and significantly associated with *ROA*. This confirms the previous findings.

Table 5.
Robustness: OLS

	(1)	(2)
	ROA	***TobinsQ***
BusyComm	0.600	-0.846***
	(0.96)	(-6.37)
ISSI	2.067***	0.130
	(5.99)	(0.74)
Leverage	-0.0550***	0.0162***
	(-8.88)	(3.32)
LogFirmSize	0.795***	-0.246***
	(8.46)	(-4.30)
RevenueGrowth	0.0435***	-0.00437
	(6.73)	(-1.36)
FirmAge	0.0371***	0.00132
	(3.84)	(0.25)
Covid	-2.012***	-0.475**
	(-4.15)	(-2.53)
Constant	-9.522***	4.592***
	(-6.28)	(5.12)
N obs.	1891	1891
R-sq. (overall)	0.201	0.0605

Notes: This table presents the estimation result of equation (1) using random-effects regressions. All regressions use year fixed effects. Robust standard errors are in parentheses. Please see Table 1 for variable definitions. ***, **, and * denote significance in 1%, 5%, and 10% levels respectively

In the second phase, we change our independent and dependent variables, and the result is presented in Table 6. In column (1), we start by changing the dependent variable with the ROE. Column (1) of Table 6 shows that, similar to the ROA as an accounting proxy, the *BusyComm* is not significant. The result is also similar when we change the independent variable, *BusyComm* with *BusyMember* following prior papers (Fich & Shivdasani, 2006; Field et al., 2013; Trinugroho et al., 2023), as can be seen in column (2). We also change *ISSI* with the *JII* following Wahyudi & Sani (2014), because those two indexes represent *Shariah*-compliant stocks in Indonesia. Yet again, the *JII* shows positive and significant results, confirming the main regressions' previous findings.

Table 6.
Robustness: ROE, BusyMember, and JII

	(1)	(2)	(3)	(4)	(5)
	ROE	**ROA**	**TobinsQ**	**ROA**	**TobinsQ**
BusyComm	1.614			0.479	-0.967***
	(1.04)			(0.71)	(-2.72)
BusyMember		0.00821	-0.00593		
		(1.15)	(-1.32)		
JII				2.632***	1.098**
				(2.97)	(2.38)
ISSI	4.719***	2.511***	0.0432		
	(3.28)	(4.26)	(0.15)		
Leverage	0.0490*	-0.0420***	0.0132***	-0.0495***	0.0128***
	(1.79)	(-4.35)	(2.80)	(-5.45)	(2.71)
LogFirmSize	1.081***	0.547***	-0.402***	0.378**	-0.461***
	(3.67)	(3.59)	(-3.47)	(2.30)	(-3.78)
RevenueGrowth	0.0443***	0.0387***	-0.00555*	0.0392***	-0.00549*
	(2.78)	(6.44)	(-1.91)	(6.51)	(-1.90)
FirmAge	0.0509	0.0399**	0.00326	0.0402**	0.00101
	(1.17)	(2.21)	(0.34)	(2.35)	(0.11)
Covid	-5.188***	-2.230***	-0.486***	-2.130***	-0.464***
	(-5.09)	(-5.72)	(-2.84)	(-5.45)	(-2.81)
Constant	-18.42***	-6.946***	7.059***	-2.635	7.950***
	(-4.10)	(-2.84)	(3.86)	(-1.03)	(4.23)
N obs.	1891	1891	1891	1891	1891
N firms	392	392	392	392	392
R-sq.	0.0622	0.197	0.0540	0.190	0.0673

Notes: This table presents the estimation result of equation (1) using random-effects regressions. All regressions use year fixed effects. Robust standard errors are in parentheses. Please see Table 1 for variable definitions. ***, **, and * denote significance in 1%, 5%, and 10% levels respectively

The literature has highlighted that other governance characteristics also matter for performance and therefore it should be also introduced in the regression. In the subsequent analysis, we introduce some other board characteristics, such as *BoardSize*, *IndepBoard*, and *BoardDiv*, consistent with the literature (Conyon &

He, 2017; Harymawan, Nasih, Ratri, & Nowland, 2019; Trinugroho et al., 2023). However, our results remain unchanged.

V. CONCLUSION

This study has three main purposes: (1) to analyze the impact of busy commissioners, or commissioners who hold concurrent positions as commissioners in three or more firms, on the performance of firms, (2) to investigate the impact of *Shariah*-compliant status on performance, and (3) to see whether the impact of busy commissioners differs between *Shariah*- and non-*Shariah*- compliant firms. After sets of regression analysis, the results show that the busyness of the board of commissioners does not have any impact on accounting performance, but it is negatively associated with market performance, suggesting that the market has a negative reaction to the presence of busy commissioners. In a developing market like Indonesia, the investors expect those appointed as commissioners to monitor and supervise the firm seriously, and this cannot be performed by sitting on several boards at the same time. Regarding the impact of *Shariah*-compliant firms, we find that it is positively associated with performance. The firms indexed in ISSI or JII have passed *Shariah* screening, and they can be assumed that they have better quality and therefore better performance, as suggested by the literature. In this paper, we also find that *Shariah*-compliant firms also matter to alter the impact of busy commissioners. More specifically, we find that busy commissioners only diminish firm performance in the *Shariah*-compliant firms. This finding raises issues about conflict of interest and confidentiality problems if commissioners hold multiple positions across *Shariah*-compliant companies. All in all, all the three hypotheses have been supported and our results are also robust in the variety of robustness checks we have conducted.

Apart from the robustness of the result we have, our study indeed has many drawbacks. The main limitation is our sample from only one country, Indonesia, and accordingly the results that we have may not be generalized into the broader (cross-country) context. Further studies could retrieve data of the busyness of the directors from multiple countries and try to see whether the results are similar to what we obtain. We acknowledge that collecting busyness data from companies in multiple countries will be challenging, but it will have a great contribution to the governance literature.

The result of this study suggest policymakers to enforce the regulation regarding commissioners to reduce its detrimental impact on performance. The regulators should also collaborate with relevant agencies to educate and promote the existence of *Shariah*-compliant firms in Indonesia.

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