
The Effect of Financial and Non-Financial Factors on Islamic Social Reporting Disclosures

Aprisia Cesar Setyani¹, Devi Narulitasari²

^{1,2}Department of Sharia Accounting, Faculty of Islamic Economic and Business, Universitas Islam Negeri Raden Mas Said Surakarta

Article Info

Article history:

Received July 23th, 2024

Accepted Oct 21th, 2024

Keywords:

Islamic Social Reporting Disclosure; Profitability; Liquidity; Leverage; Islamic Governance Score; Investment Account Holder

ABSTRACT

The disclosure of Islamic Social Reporting (ISR) is crucial in order to convey its responsibility to report a company's social responsibility to stakeholders, with the aim of keeping the company free from social deviations and positively impacting its reputation. The main objective of this study is to analyze the financial and non-financial factors that are suspected to have an influence on ISR disclosure. Financial factors include profitability, liquidity, and leverage, while non-financial factors include the Islamic governance score and investment account holder. The sample in this study consists of 9 Islamic commercial banks registered with the Financial Services Authority (OJK) continuously for the period 2018-2022, resulting in 45 observational data. This study employs panel data regression analysis using the EVIEWS version 12. The results of the analysis show that investment account holders have a positive influence on ISR disclosure, while profitability has a negative influence. However, the results of the analysis do not support the influence of liquidity, leverage, and the Islamic governance score on ISR disclosure. It is expected that this research can empirically contribute to ISR disclosure and practically be used as input for regulators at the Financial Services Authority (OJK).

Corresponding Author:

Aprisia Cesar Setyani
Department of Sharia Accounting
Faculty of Islamic Economic and Business
Universitas Islam Negeri Raden Mas Said Surakarta
Email: cesarsetyaniaprisia@gmail.com

1. INTRODUCTION

Islamic Social Reporting (ISR) is the core of a company's business ethics and represents various responsibilities toward stakeholders (Arianugrahini & Firmansyah, 2020). Companies operate within societal environments, and all activities conducted will have an impact on social and environmental aspects. Therefore, ISR disclosure plays a crucial role for management in preventing social and environmental conflicts (Prasetyoningrum, 2019).

The importance of ISR for Islamic Commercial Banks lies in its role as the foundation and direction for developing social responsibilities. This serves as a strong basis for regulating human life in worldly and societal contexts. The purpose of this ISR disclosure is to be a form of accountability to Allah SWT and society. The form of accountability to Allah SWT and society involves providing halal and wholesome products, fulfilling the rights of Allah and the community, pursuing profits in accordance with Islamic principles, taking care of employees and the public, preserving environmental sustainability, and viewing work as an act of worship (Pratomo & Nugrahanti, 2022). In Sharia entities, stakeholders demand more transparency regarding how operational activities align with Islamic Sharia provisions. The study of ISR is an answer to the limitations of conventional social reports because the concept of ISR not only focuses on moral and ethical aspects but is also deeply rooted in spiritual elements (Islamic Sharia provisions). ISR also assists Muslim decision-makers in finding out how far Sharia-based companies conduct and report activities in accordance with Islamic provisions (Cahya et al., 2018).

The ISR program included in ISR disclosure can be used as a strategic opportunity in an effort to generate profits for the company (Arianugrahini & Firmansyah, 2020). It can also be a support in company growth and sustainable development. Although ISR may not yield financial gains in the short term, it indirectly influences the company's financial performance in the future (Mustofa & Efendi, 2023). Moreover, reporting ISR activities positively impacts the company's reputation, such as enhancing transparency regarding environmental and social impacts, as well as increasing compliance with regulations. With more extensive ISR disclosure, stakeholders are more interested in supporting the company's activities in achieving its primary goals. This is because companies, as systems, cannot sustain themselves independently in terms of balance and sustainability (Utari et al., 2020).

The low level of Islamic Social Reporting (ISR) disclosure can be an indication of the deficiency in social performance among Shariah banks in Indonesia. The results of several studies have shown that ISR disclosure rates remain relatively low among Islamic commercial banks in the country. According to Abadi et al., (2020), The categorization of ISR disclosure is as follows: (1) Highly informative: 81%-100%, (2) Informative: 66%-80%, (3) Less informative: 51%-65%, (4) Not informative: 0%-50%.

Table 1. Average Level of Islamic Social Reporting Disclosure in Shariah Banking in Indonesia

No	Researchers	Sample	ISR Disclosure Rate (%)	Rating
1.	Nastiti (2018)	The 12 Islamic Commercial Banks during the 2014-2016 period.	55,80%	Less informative
2.	Sunarto et al., (2020)	The 12 Islamic Commercial Banks during the period of 2014-2018.	64,22%	Less informative
3.	Jati et al., (2020)	The 10 Islamic Commercial Banks during the 2013-2018 period.	48,85%	Not informative

No	Researchers	Sample	ISR Disclosure Rate (%)	Rating
4.	Setiawati et al., (2023)	The 10 Islamic Commercial Banks during the period from 2018 to 2022.	53,90%	Less informative

(Source: secondary data, 2024)

Looking at the table above, it can be concluded that ISR disclosure in Islamic Commercial Banks in Indonesia is still low, categorized as "less informative" and "not informative." None of the Shariah banks fully disclose ISR, indicating that the information provided is insufficient for stakeholders. This indicates that Islamic Commercial Banks in Indonesia has not yet fully opened up ISR disclosure to the public.

Based on (Republic of Indonesia Law Number 40 Year 2007) Concerning Limited Liability Companies, regulations regarding Corporate Social Responsibility (CSR) implementation in Indonesia have been established. The law stipulates that companies engaged in natural resource activities must uphold environmental and social responsibilities. Failure to report as required by these regulations will result in sanctions according to the provisions of the law. These regulations can be implemented in Shariah commercial banks through Islamic Social Reporting (ISR). In a Shariah entity, every transaction must be based on the principle of *tawazun*, which emphasizes a balance between material and non-material (spiritual) aspects, a balance between financial and real activities, and a balance between resource utilization and preservation (Mukhibad, 2018). This indicates that maintaining a balance between a company's financial and social performance is crucial. In the context of Shariah transactions, improving social performance must go hand-in-hand with improving financial performance.

When a company is in a profitable position, it has a greater opportunity to disclose ISR in its annual report. However, if the company is in an unprofitable position, managers tend to reduce the information disclosed (Mais & Alawiyah, 2020). According to the research by Hasibuan et al., (2023), profitability has a significant positive effect on ISR disclosure. This finding contrasts with the research by Pardanty & Yuliandhari (2021), which indicates that profitability has a negative effect on ISR disclosure.

Liquidity has a significant impact on the extent of ISR disclosure. According to Setiawan et al., (2021), companies with higher liquidity ratios tend to implement broader ISR disclosure practices. A high level of liquidity reflects the company's strong financial condition. If the financial condition is strong, the company is considered capable of providing more extensive ISR disclosures to the public to demonstrate its credibility compared to when the financial condition is weak (Rahmawati & Supriatin, 2020). The research conducted by Riyanti (2021) found that liquidity has a significant positive effect on ISR disclosure. This finding is not consistent with the research by Guntarto & Nugroho (2020), which indicates that liquidity has a negative effect on ISR disclosure.

The next factor that influences ISR disclosure is the leverage variable. The leverage ratio can be used as a tool to understand a company's capital structure, allowing assessment of the company's ability to pay its debts (Ariswari & Eka Damayanthi, 2019). Companies with high leverage levels are considered more likely to have extensive ISR disclosures, as this can be used to reassure debtholders that the company can guarantee their rights. Research conducted by Mais & Alawiyah (2020) shows

that leverage has a positive effect on ISR. However, this differs from the findings of Rahmawati & Supriatin (2020), which explain that leverage does not affect ISR disclosure.

Islamic Governance Score (IGS) is a proxy for the characteristics of the Sharia supervisory board, measured through the number, education, cross-membership, and reputation of a SSB member. The Sharia supervisory board is expected to exert pressure on the company's internal management in ISR disclosure as they represent stakeholders concerning the operational activities undertaken (Faizah & Hartiyah, 2018). The study conducted by Pangesti & Pramono (2022) states that IGS positively influences ISR disclosure. However, the research by Risqi & Septriarini (2021) explains that IGS does not affect ISR disclosure.

Investment Account Holder (IAH) also influences ISR disclosure. A higher IAH in a company results in greater demands and oversight from investors, leading to higher compliance in ISR disclosure (Ekawati & Anhar, 2020). Research findings by Pangesti & Pramono (2022) explain that IAH has a positive influence on ISR disclosure. Conversely, the study by Risqi & Septriarini (2021) indicates that IAH does not influence ISR disclosure.

Given these inconsistent research results, the researcher is interested in analyzing "*The Influence of Profitability, Liquidity, Leverage, Islamic Governance Score, and Investment Account Holder on Islamic Social Reporting Disclosure in Islamic Commercial Banks in Indonesia?*"

Literature Review

Legitimacy Theory

The Legitimacy Theory is commonly applied in the domains of social and environmental accounting. According to Dowling & Pfeffer (1975), the theory posits a connection between a company and society, emphasizing the importance of perceived societal acceptance. Arianugrahini & Firmansyah (2020) affirm that legitimacy theory directly correlates with the company's efforts to achieve favorable public perception through its actions. ISR disclosure is one way to maintain a good reputation and gain positive values to ensure future sustainability. ISR disclosure is done as a response to external economic, social, and political external pressures exerted on the company (Widyanti & Cilarisinta, 2020).

Stakeholder Theory

Lindawati & Puspita (2015) argue that stakeholder theory posits that a company's viability hinges on the roles of external and internal stakeholders, each with distinct requirements. ISR can serve as a strategic tool for companies to fulfill stakeholders' demand for non-financial insights into their impacts on social and environmental dimensions. Increased breadth of ISR disclosure correlates with heightened stakeholder backing across company initiatives aimed at enhancing performance and attaining desired outcomes (Tania, 2019).

Hypothesis Development

The Impact of Profitability on Islamic Social Reporting Disclosure

In stakeholder theory, high profitability or profits attracts the attention of stakeholders. This can motivate companies to expand their ISR disclosure to account for their operational activities and meet stakeholders' interests (Dewi & Putri, 2018). Companies with high profitability levels will strive to provide more information to potential investors and stakeholders by disclosing ISR. With significant

profits, companies have larger budgets and higher expectations from stakeholders to perform Islamic Social Reporting (ISR) disclosure. This discovery is consistent with findings from Yentisna & Alvian (2019) and Hasibuan et al., (2023), demonstrating that profitability positively influences ISR disclosure.

H₁: Profitability has a positive impact on Islamic Social Reporting disclosure

The Impact of Liquidity on Islamic Social Reporting Disclosure

According to legitimacy theory, for a business to be successful, it needs support from society. To achieve legitimacy from the society, a company must align its values with those of the society. Companies with high liquidity tend to have more extensive ISR disclosures. The high liquidity level of a company indicates its success in meeting short-term debt obligations on time. A company that can fulfill its obligations is considered financially strong, as evidenced by high liquidity levels. Hasanah et al., (2018) explain that Sharia entities with strong financial positions are likely to have more extensive ISR disclosures. This is aimed at gaining recognition or legitimacy from external parties that the Sharia-compliant entity is credible and considers the impact of its activities on social and environmental factors. Consistent with the research by Riyanti (2021) and Setiawan et al., (2021), liquidity has a significant positive influence on ISR disclosure.

H₂: Liquidity has a positive impact on Islamic Social Reporting disclosure

The Impact of Leverage on Islamic Social Reporting Disclosure

Leverage relates to how a company is financed through debt. Therefore, companies are obligated to provide explanations to stakeholders about their capacity to repay those debts. High leverage is associated with broader Islamic Social Reporting (ISR) disclosure because companies with high leverage face significant pressure from stakeholders. To alleviate this pressure, ISR disclosure is employed. This serves as an assurance of business sustainability to stakeholders and assures creditors that their rights are safeguarded (Safitri & Rofiuddin, 2021). This is consistent with research conducted by Lianti et al., (2022) and Meliana et al., (2022) which indicate that leverage has a positive and significant influence on ISR disclosure.

H₃: Leverage has a positive impact on Islamic Social Reporting disclosure

The Impact of Islamic Governance Score on Islamic Social Reporting Disclosure

According to stakeholder theory, the Sharia Supervisory Board (SSB) or management of a company must be able to be accountable for the operational activities of the company to its stakeholders (Mukhibad, 2018). Because SSB represents stakeholders broadly related to the operational activities of Islamic banks, they have the power to pressure management to disclose Islamic Social Reporting (ISR). The Islamic Governance Score (IG-Score) acts as a proxy indicating the SSB's attributes, quantity, cross-membership, educational qualifications, and reputation (Lidyah et al., 2017). According to Taufik et al., (2015), SSB can enhance ISR disclosure by comparing several company reports to determine the best practices in reporting. The primary function of the Sharia Supervisory

Board is to guide, review, and oversee the activities of Islamic banks and ensure that they operate in accordance with Islamic law. The authority held by the Sharia Supervisory Board is believed to enhance the disclosure of social responsibilities in Islamic banking. Research by Pangesti & Pramono (2022) and Mais et al., (2023) has proven that the Islamic Governance Score positively influences Islamic Social Reporting disclosure.

H₄: Islamic Governance Score has a positive impact on Islamic Social Reporting disclosure

The Impact of Investment Account Holder on Islamic Social Reporting Disclosure

Investment Account Holder can be understood through stakeholder theory, which explains the relationship between customers and ISR disclosure. Companies must maintain a balance between the desires and needs of customers and the resources used for operational activities. Customers not only expect companies to conduct their business effectively but also to consider their social responsibilities towards the environment. The higher the ratio of Investment Account Holders (IAH), the stricter the supervision of Islamic banks in conducting ISR disclosure. Banks benefit from managing customer funds and IAH also influences the extent of ISR disclosure. This aligns with research conducted by Mais et al., (2023) and Risqi & Septriarini (2021), which shows that IAH has a positive impact on ISR disclosure.

H₅: Investment Account Holder has a positive impact on Islamic Social Reporting disclosure

Conceptual Framework

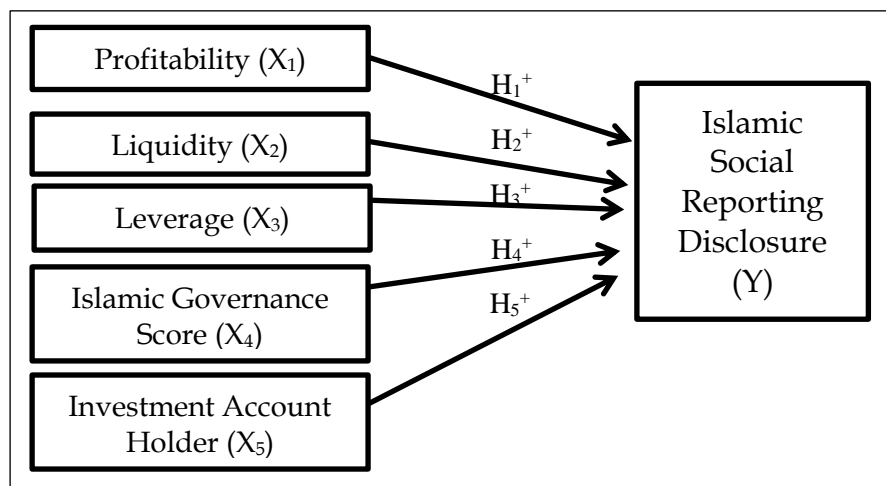


Figure 1: Schematic Diagram of the Study

The following is the framework used in this research, consisting of 5 dependent variables: profitability, liquidity, leverage, Islamic governance score, and investment account holder, which are hypothesized to influence the independent variable, ISR disclosure.

2. METHOD

Sample Selection and Data Source

The study included Sharia Commercial Banks registered with the Financial Services Authority (OJK) from 2018 to 2022, totaling 13 banks. Purposive sampling was utilized to select samples from this population, based on specific criteria set forth in the sampling process:

1. Sharia Commercial Banks that are officially listed in the Financial Services Authority (OJK) consecutively for the 5-year period from 2018 to 2022.
2. Sharia Commercial Banks that published annual reports during the period of 2018-2022, which can be verified from the Financial Services Authority (OJK) website or the bank's official website.
3. Sharia Commercial Banks that provide complete information on the variables under study.

The sample obtained consists of 9 Sharia Commercial Banks from the period 2018 to 2022, which are Bank BTPN Syariah, Bank Panin Dubai Syariah, Bank Muamalat Indonesia, Bank Aceh Syariah, Bank Jabar Banten Syariah, Bank Mega Syariah, Bank BCA Syariah, Bank NTB Syariah, and Bank Bukopin Syariah. Resulting in 45 observational data points.

Data Collection

In this study, the data collection method is documentation. Secondary data collected by the researcher are from the annual reports of all Shariah banks registered with the OJK from 2018 to 2022. These reports were accessed through the website www.idx.co.id and from each company's annual reports spanning from 2018 to 2022.

Variable Measurement

Islamic Social Reporting (ISR)

Islamic Social Reporting is the standard for reporting social performance based on Sharia principles (Mais & Alawiyah, 2020). This disclosure refers to the index from Othman et al., (2009), which comprises 6 themes of disclosure: (1) *Product and Services*; (2) *Investment and Finance*; (3) *Social*; (4) *Employees*; (5) *Corporate Governance*; and (6) *Environment*, totaling 43 items. Each component that meets the index items is scored as 1, and 0 if not.

$$ISR\ Disclosure = \frac{Number\ of\ Disclosures\ Fulfilled}{Maximum\ Total\ Score}$$

Source: (Rahmawati et al., 2022)

Profitability

Profitability is an indicator of a company's ability to generate profit over a specific period (Prasetyoningrum, 2019).

$$ROA = \frac{Net\ Income}{Total\ Assets}$$

Source: (Jati et al., 2020)

Liquidity

Liquidity refers to the company's ability to meet its short-term obligations (Guntarto & Nugroho, 2020).

$$FDR = \frac{\text{Total Financing}}{\text{Total Third – Party Funds}}$$

Source: (Jati et al., 2020)

Leverage

Leverage is a ratio used to assess how much of a company's assets are financed by debt (Mais & Alawiyah, 2020).

$$DER = \frac{\text{Total Debt}}{\text{Total Equity}}$$

Source: (Jati et al., 2020)

Islamic Governance Score (IGS)

The Islamic Governance Score (IGS) variable is used as a proxy to measure the characteristics of the Sharia Supervisory Board. There are several factors in this measurement, including: 1) the number of SSB (Sharia Supervisory Board), which is assigned a value of 1 if the number is two or more, and 0 if less than two; 2) Cross-membership, scored as 1 if present and 0 if absent; 3) Educational background, with a value of 1 given if SSB holds a PhD degree (S3), and 0 if not; 4) Experience or reputation, scored as 1 if SSB is a member or executive of DSN-MUI, and 0 if not (Lidyah et al., 2017).

Investment Account Holder (IAH)

Investment Account Holder is a form of ownership in a company sourced from customers (Wijaya et al., 2020).

$$IAH = \frac{\text{Temporary Syirkah Funds}}{\text{shareholder's paid – in capital}}$$

Source: (Mais et al., 2023)

Data Analysis Technique

The hypothesis in this study was tested using panel data regression analysis, which combines time series data with cross-sectional data (Handayani & Budi Yanti, 2023). The following is the regression equation:

$$ISR_{it} = \alpha_0 + \beta_1ROA_{it} + \beta_2FDR_{it} + \beta_3DER_{it} + \beta_4IGS_{it} + \beta_5IAH_{it} + e$$

Description:

i = Company

t = Time Period

ISR = Islamic Social Reporting (ISR) Disclosure

- α = Constant
 β_1 - β_5 = Coefficients From Each Variable
 ROA = Profitability
 FDR = Liquidity
 DER = Leverage
 IGS = Islamic Governance Score
 IAH = Investment Account Holder
 e = Error

3. RESULTS AND DISCUSSION

Table 2. Descriptive Analysis

	Mean	Median	Max	Min	St. Dev	Obs
ISR	0.570543	0.558140	0.674419	0.511628	0.036637	45
ROA	0.012832	0.007782	0.090986	-0.056711	0.027272	45
FDR	0.860824	0.889875	1.966140	0.384890	0.226733	45
DER	1.195035	1.065695	3.269923	0.192875	0.818307	45
IGS	3.022222	3.000000	4.000000	1.000000	0.965046	45
IAH	10.33278	6.746427	39.74045	1.757313	9.867734	45

(Source: Eviews Output, 2024)

Based on the table above, the average profitability of the company is 0.007782. The lowest profitability value is -0.056711 and the highest is 0.090986. Profitability data has a standard deviation of 0.027272. The distribution of profitability data is uneven because the median profitability is below the standard deviation. The average liquidity of the company is 0.889875. The lowest liquidity value is 0.384890, while the highest liquidity is 1.966140. Liquidity data has a standard deviation of 0.226733. The distribution of liquidity data is even because the median liquidity is above the standard deviation. The average value of leverage is 1.065695. The lowest leverage value is 0.192875 and the highest is 3.269923. Leverage data has a standard deviation of 0.226733. The distribution of leverage data is even because the median leverage is above the standard deviation.

The average Islamic governance score of the company is 3.000000. The lowest Islamic governance score is 1.000000, while the highest is 4.000000. The distribution of Islamic governance score data is even because the median Islamic governance score is above the standard deviation. The average investment account holder of the sampled companies is 6.746427. The lowest investment account holder value is 1.757313, while the highest is 39.74045. Investment account holder data has a standard deviation of 9.867734. The distribution of investment account holder data is uneven because the median investment account holder is below the standard deviation. The average Islamic Social Reporting (ISR) is 0.558140. The lowest ISR value is 0.511628, while the highest ISR is 0.674419. ISR data has a standard deviation of 0.036637. The distribution of ISR data is even, with the median Islamic social reporting above the standard deviation.

Analysis of Model Selection

In this study, tests including the Hausman test, Chow test, and Lagrange Multiplier (LM) test were conducted to determine the best model for analysis: Common Effect Model (CEM), Fixed Effect Model (FEM), or Random Effect Model (REM).

Table 3. Chow Test

Effect Test	Statistic	d.f.	Prop
Cross-section F	1.600810	(8,31)	0.1650
Cross-section Chi-square	15.560758	8	0.0491

Based on the Cross-section Chi-square value of $0.0491 < 0.05$, the selected model is the Fixed Effect Model (FEM).

Table 4. Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prop
Cross-section random	9.278649	5	0.0985

With the Cross-section random value of $0.0985 > 0.05$, the selected model is the Random Effect Model (REM).

Table 5. Lagrange Multiplier Test

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	0.093765 (0.7594)	0.359813 (0.5486)	0.453579 (0.5006)

Considering the Breusch-Pagan test in the Lagrange Multiplier test, which yields a value of 0.5006, compared to the p-value of 0.05, $0.5006 > 0.05$. Therefore, the selected model is the Common Effect Model (CEM).

Table 6. Classical Assumption Tests

Assumption	(probability)/(Prob. Chi-Square)	Decision
Normality	0.172613	Normally distributed data
Autocorrelation	0.2615	No autocorrelation symptoms
Multicollinearity	-0.003136, -0.129591, 0.245102, 0.025926	No multicollinearity symptoms
Heteroskedasticity	0.9746	No heteroskedasticity symptoms

(Source: Eviews Output, 2024)

The table above indicates that the regression model in this study has satisfied the classical assumptions. Therefore, it is appropriate to proceed with the panel data regression analysis.

Table 7. Results of Panel Data Regression Analysis

Variable	Coefficien t	t-Statistic	Prob	Decision
C	0.596924	22.11458	0.0000	
ROA	-0.577016	-3.058417	0.0040	Significant
FDR	-0.015419	-0.640723	0.5255	Not Significant
DER	-0.005798	-0.816643	0.4191	Not Significant
IGS	-0.005863	-1.173215	0.2478	Not Significant
IAH	0.001833	2.928511	0.0057	Significant
Adjusted R-squared			0.305151	Explains 30,51%
Prob(F-statistic)			0.001491	Simultaneously influential

(Source: Eviews Output, 2024)

Based on the table above, this regression model has met the criteria for model accuracy testing, with the significance value of the F-test being less than 0.05. Therefore, the regression formula can be formulated as follows:

$$\text{ISR} = 0.596924 - 0.577016\text{ROA} - 0.015419\text{FDR} - 0.005798\text{DER} - 0.005863\text{IGS} + 0.001833\text{IAH} + e$$

Discussion

The Influence of Profitability on Islamic Social Reporting Disclosure

The results of the research show that the probability value of the profitability variable is less than its significance level, with a value of $0.0040 < 0.05$ and a coefficient value of -0.577016 , indicating that profitability has a negative impact on ISR disclosure. Therefore, it can be concluded that H_1 is rejected. Companies with high profitability levels consider it unnecessary to report on matters that might disrupt the information that they provide high returns to their shareholders. Since they focus solely on profits, disclosing ISR would incur costs that reduce the profitability achieved. Conversely, if profitability is low, companies might be more extensive in their ISR disclosures, hoping that financial report users will perceive "good news" regarding the company's performance. The "good news" here refers to the social activities conducted by the company (Juniar et al., 2023). These findings align with the research conducted by Pardanty & Yuliandhari (2021), Juniari et al., (2023), and Mais & Alawiyah (2020), which explain that profitability negatively affects ISR disclosure.

The Influence of Liquidity on Islamic Social Reporting Disclosure

The results of this study prove that the probability value of liquidity is greater than its significance level, with a value of $0.5255 > 0.05$, indicating that liquidity does not affect ISR disclosure. Therefore, it can be concluded that H_2 is rejected. According to Purwani et al., (2018) liquidity does not influence the level of Islamic Social Reporting disclosure of a company. This is because a company will not incur losses or affect its obligation payments regardless of the level of ISR disclosure. This means that ISR disclosure has become an obligation regardless of the high or low

liquidity level of a Sharia bank. ISR disclosure is used to gain recognition or legitimacy from the public that the company is credible and considers its social and environmental aspects (Mais & Alawiyah, 2020). These test results are consistent with the studies of Mais & Alawiyah (2020), Rahmawati & Supriatin (2020), and Handayani & Budi Yanti (2023), which show that liquidity does not affect ISR disclosure.

The Influence of Leverage on Islamic Social Reporting Disclosure

The results of this study indicate that the probability value for the leverage variable is greater than the significance level, with a value of $0.4191 > 0.05$, which means that leverage does not influence ISR disclosure. Therefore, it can be concluded that H_3 is rejected. Leverage does not affect the disclosure of Islamic Social Reporting (ISR) because the amount of debt, whether large or small, does not impact the disclosure of social performance in Islamic banks. Liabilities in Islamic banks are viewed as the main source of profit, through a profit-sharing system, where the level of bank leverage is influenced by the amount of third-party funds held by Islamic commercial banks (Rosiana et al., 2015). Therefore, Islamic commercial banks will continue to disclose Islamic Social Reporting (ISR) regardless of whether leverage is high or low, aiming to assure stakeholders that the bank will not breach existing agreements. This serves as a guarantee for the sustainability of Islamic commercial banks, providing stakeholders with confidence that their rights are protected (Mukhibad, 2018). These test results are consistent with research conducted by Rahmawati et al., (2022) and Khasanah & Mais (2020), which show that leverage does not affect ISR disclosure.

The Influence of Islamic Governance Score on Islamic Social Reporting Disclosure

The results of this study indicate that the probability value for the Islamic Governance Score variable is greater than its significance level, with a value of $0.2478 > 0.05$, which means the Islamic Governance Score does not influence ISR disclosure. Thus, it can be concluded that H_4 is rejected. This issue may stem from the fact that the duties and responsibilities of the Sharia Supervisory Board (SSB) have primarily focused on regulations and operational activities. The operational activities include oversight of products, Sharia reviews of all bank activities, and serving as advisors to the bank (Mais & Lufiani, 2018). As stated in the duties and responsibilities of the SSB in (PBI No.6 tahun 2004 pasal 27), there are still no specific duties or responsibilities assigned for conducting reviews or oversight of ISR disclosure. The absence of specific regulations governing the supervision of Sharia Supervisory Boards (SSB) regarding voluntary Islamic Social Reporting (ISR) disclosure has resulted in a lack of attention from SSB towards ISR disclosure in Islamic banking (Risqi & Septriarini, 2021). These test results align with research conducted by Nusron & Diansari (2021) and Risqi & Septriarini (2021) which state that the Islamic Governance Score does not influence ISR.

The Influence of Investment Account Holders on Islamic Social Reporting Disclosure

The results of this study indicate that the probability value of Investment Account Holders is less than the significance level, with a value of $0.0057 < 0.05$, and a coefficient value of 0.001833, indicating a positive direction towards ISR value. Thus, it can be concluded that H_5 is accepted. This indicates that a higher proportion of customer fund investments will enhance Islamic Social Reporting (ISR) disclosure. Islamic bank customers (IAH) tend to invest their funds as depositors rather than as

shareholders. This is because IAH is more interested in the products and services offered by Islamic banks. Additionally, the services and products of Islamic banking are more accessible to the public than Islamic banking stocks. As a consequence, IAH does not possess formal voting rights to influence the level of oversight over Islamic banks. Therefore, to meet IAH's demands for transparency and accountability, Islamic banks must engage in more comprehensive disclosure of their corporate social responsibility information (Astuti & Nurkhin, 2019). This is driven by the belief that investors or customers not only wish to generate profits but also want banks to express their social responsibility through a commitment to social and environmental concerns (Ningsih, 2021). These test results align with research conducted by Mais et al., (2023) Astuti & Nurkhin (2019), and Ningsih (2021), which state that Investment Account Holders have a positive impact on ISR.

Conclusion

Based on the results of the analysis and discussion, it can be concluded that investment account holders have a positive influence on ISR disclosure, while profitability has a negative influence. However, the results of the analysis do not support the influence of liquidity, leverage, and the Islamic governance score on ISR disclosure. The results of the average ISR disclosure among Islamic commercial banks in Indonesia is 57.05%, which falls into the less informative category. It is recommended that regulators take stricter actions to improve ISR disclosure in Islamic commercial banks in Indonesia.

Although the research findings indicate that profitability has a negative impact on Islamic Social Reporting (ISR) disclosure, Islamic banks should still prioritize social and environmental disclosures. Islamic banks need to strike a balance between the profits they generate and their social responsibilities to the community in order to maintain their reputation and stakeholder trust, especially in an era that increasingly demands transparency. The responsibilities of the Sharia Supervisory Board (SSB) currently focus primarily on regulation and operations. Islamic banks must enhance the role of the SSB in overseeing ISR disclosures to make it more comprehensive by involving them in the development of clearer and more implementable ISR policies. The research results show that a higher proportion of Islamic capital (IAH) encourages ISR disclosure. Islamic banks should pay more attention to IAH and ensure that it contributes clearly to Islamic Social Reporting (ISR). This approach will not only attract investors but also foster greater trust in Islamic banks.

The limitations of this study include the small sample size, which consists of only 9 Islamic banks in Indonesia. Additionally, the use of disclosure items in the ISR index is limited to the index by Haniffa and Othman, without any new disclosure items added by the researcher. Future researchers are encouraged to increase the sample size in their studies and to add other independent variables that may influence Islamic Social Reporting (ISR) disclosure beyond those used in this study. This will help identify other factors that may affect ISR disclosure in Islamic banking. Lastly, future researchers are expected to develop a more comprehensive ISR index by taking into account the characteristics and conditions in Indonesia. This way, the ISR index used can better reflect social responsibility in accordance with Islamic principles and be applicable in Indonesia.

REFERENCES

Abadi, M. T., Mubarak, M. S., & Sholihah, R. A. (2020). Implementasi Islamic Social

- Reporting Index Sebagai Indikator Akuntabilitas Sosial Bank Syariah. *Al-Insyiroh: Jurnal Studi Keislaman*, 6(1), 1–25.
<https://doi.org/10.35309/alinsyiroh.v6i1.3813>
- Arianugrahini, I., & Firmansyah, E. A. (2020). Determinan Pengungkapan Islamic Social Reporting (ISR) pada Perbankan Syariah di Indonesia (Determinants of Islamic Social Reporting (ISR) Disclosure at Islamic Commercial Banks in Indonesia). *Perisai: Islamic Banking and Finance Journal*, 4(2), 88–101.
<https://doi.org/10.21070/perisai.v4i2.841>
- Ariswari, P. M. A., & Damayanthi, E. I. G. A. (2019). Pengaruh Profitabilitas, Leverage, dan Kepemilikan Manajemen pada Pengungkapan CSR dengan Ukuran Perusahaan sebagai Variabel Kontrol. *E-Jurnal Akuntansi*, 29(1), 372.
<https://doi.org/10.24843/eja.2019.v29.i01.p24>
- Astuti, W., & Nurkhin, A. (2019). The role of Islamic Governance on Islamic social reporting disclosure of Indonesia Islamic Banks. *Conference on Islamic Management Accounting and Economics*, 26–36.
- Bank Indonesia. (2004). Peraturan Bank Indonesia Nomor : 6/24/Pbi/2004 Tentang Bank Umum Yang Melaksanakan Kegiatan Usaha Berdasarkan Prinsip Syariah. *Bank Indonesia*, 117.
http://www.bi.go.id/id/peraturan/perbankan/Pages/pbi_82106.aspx
- Cahya, B. T., Restuti, D. P., & Sifah, N. (2018). Pengungkapan Islamic Social Reporting (Isr) Dan Karakteristik Perusahaan Yang Terdaftar Di Jakarta Islamic Index 70 (Jii70). *JEBI (Jurnal Ekonomi Dan Bisnis Islam)*, 3.
- Dewi, M. A., & Putri, C. M. (2018). Analisis Faktor-Faktor Yang Memengaruhi Pengungkapan Islamic Social Reporting. *Reviu Akuntansi Dan Bisnis Indonesia*, 2(2), 107–115. <https://doi.org/10.18196/rab.020225>
- Dowling, J., & Pfeffer, J. (1975). Pacific Sociological Association Organizational Legitimacy: Social Values and Organizational Behavior. *Source: The Pacific Sociological Review*, 18(1), 122–136.
- Ekawati, & Anhar, M. (2020). Pengaruh Profitabilitas, Dewan Pengawas Syariah dan Investment Account Holder terhadap Pengungkapan Islamic Social Reporting. *Jurnal Fakultas Ekonomi Departemen Akuntansi Sekolah Tinggi Ilmu Ekonomi Indonesia*, 1–18.
<https://www.ejurnal.bunghatta.ac.id/index.php/JFEK/article/view/14546>

- Faizah, Y. L. N., & Hartiyah, S. (2018). Pengaruh Islamic Governance Score, Leverage, Ukuran Perusahaan, dan Ukuran Dewan Komisaris Terhadap Kesehatan Finansial Bank Umum Syariah (Studi Empiris di BEI Periode 2013 Sampai 2016). *Journal of Economic, Management, Accounting and Technology*, 1(1), 53–64. <https://doi.org/10.32500/jematech.v1i1.212>
- Guntarto, R., & Nugroho, I. A. (2020). Pengaruh Likuiditas dan Leverage Terhadap Pengungkapan Islamic Social Reporting dengan Profitabilitas sebagai Variabel Pemoderasi. *Jurnal Ekonomi Islam*, 11(November 2020), 159–172.
- Handayani, L., & Budi Yanti, H. (2023). Pengaruh Shariah Governance, Capital Adequacy Ratio (CAR), dan Financing to Deposit Ratio (FDR) Terhadap Pengungkapan Islamic Social Reporting. *COMSERVA Indonesian Journal of Community Services and Development*, 2(10), 2223–2237. <https://doi.org/10.59141/comserva.v2i10.634>
- Hasanah, N. T., Widiyanti, N. W., & Sudarno, S. (2018). Analisis Pengaruh GCG dan Kinerja Keuangan Terhadap Pengungkapan Islamic Social Reporting (ISR). *E-Journal Ekonomi Bisnis Dan Akuntansi*, 5(2), 115. <https://doi.org/10.19184/ejeba.v5i2.8645>
- Hasibuan, K. F., Hasibuan, A. N., & Mendrofa, S. L. (2023). Pengaruh Ukuran Perusahaan, Profitabilitas Dan Komite Audit Terhadap Pengungkapan Islamic Social Reporting. *Journal Of Social Science Research*, 3(3), 7196–7204.
- Jati, K. W., Agustina, L., Muliastari, I., & Armeliza, D. (2020). Islamic social reporting disclosure as a form of social responsibility of Islamic banks in Indonesia. *Banks and Bank Systems*. [https://doi.org/10.21511/bbs.15\(2\).2020.05](https://doi.org/10.21511/bbs.15(2).2020.05)
- Juniar, C. I., Fakhrudin, I., Santoso, S. B., & Azizah, S. N. (2023). The Effect of Financial and Non-Financial Performance on Islamic Social Reporting. *Indonesian Journal Of Business Analytics*, 3(2), 539–554.
- Khasanah, I., & Mais, R. G. (2020). Pengaruh Dewan Pengawas Syariah, Ukuran Perusahaan, Profitabilitas, dan Leverage terhadap Pengungkapan Islamic Social Reporting. *Sekolah Tinggi Ilmu Indonesia*, 1–18.
- Lianti, A., Zulaecha, H. E. Z., Hamdani, & Mubbarok, A. Z. (2022). Pengaruh Leverage, Profitabilitas, Ukuran Perusahaan, Umur Perusahaan, Komisaris Independen, Kecukupan Modal Terhadap Pengungkapan Islamic Social Reporting. *Jurnal Ekonomi, Bisnis Dan Manajemen*, 1(4), 55–81. <https://doi.org/10.58192/ebismen.v1i4.148>
-

- Lidyah, R., Akbar, D. A., & Africano, F. (2017). Islamic Governance , Investment Account Holder , Profitability , Ukuran Perusahaan Dan Corporate Social Responsibility Bank Umum Syariah. *Seminar Nasional Teknologi Informasi, Bisnis, Dan Desain 2017*, 1–30.
- Lindawati, A. S. L., & Puspita, M. E. (2015). Corporate Social Responsibility: Implikasi Stakeholder dan Legitimacy Gap dalam Peningkatan Kinerja Perusahaan. *Jurnal Akuntansi Multiparadigma*, 157–174. <https://doi.org/10.18202/jamal.2015.04.6013>
- Mais, R. G., & Alawiyah, T. (2020). Pengaruh Profitabilitas, Leverage, Likuiditas, dan Dewan Komisaris Independen Terhadap Pengungkapan Islamic Social Reporting (ISR) Pada Perbankan Syariah Di Indonesia Tahun 2015-2018. *Jurnal STEI Ekonomi*, 29(02), 57–77. <https://doi.org/10.36406/jemi.v29i2.339>
- Mais, R. G., & Lufiani, N. (2018). Pengaruh Sharia Governance Structure terhadap Pengungkapan CSR Berdasarkan Islamic Social Reporting Index. *Jurnal Akuntansi Dan Manajemen*, 15(01), 83–100. <https://doi.org/10.36406/jam.v15i01.145>
- Mais, R. G., Munir, & Wulansari, S. S. (2023). the Effect of Islamic Governance Score and Investment Account Holder on the Disclosure of Islamic Social Reporting At Islamic Banks in Indonesia. *Jurnal Akuntansi*, 13(1), 28–33. <https://doi.org/10.46806/ja.v13i1.1031>
- Meliana, Jeandry, G., & Taher, J. (2022). Pengaruh Ukuran Perusahaan, Profitabilitas, Leverage Dan likuiditas Terhadap Pengungkapan Islamic Social Reporting (ISR) Pada Bank Umum Syariah Di Indonesia Tahun 2015-2019. *Jurnal TRUST Riset Akuntansi*, 9(2), 1–15.
- Mukhibad, H. (2018). Peran Dewan Pengawas Syariah Dalam Pengungkapan Islamic Sosial Reporting. *Jurnal Akuntansi Multiparadigma*, 9(2), 299–311. <https://doi.org/10.18202/jamal.2018.04.9018>
- Mustofa, I. A., & Efendi, S. N. (2023). Determinan Islamic Sosial Responsibility (ISR) pada Bank Umum Syariah di Indonesia. *Jurnal Pendidikan Tambusai*, 7(2), 18863–18872.
- Nastiti, A. S. (2018). Prosiding 4th Seminar Nasional dan Call for Papers Fakultas Ekonomi Universitas Muhammadiyah Jember Hal. *Prosiding Ekonomi Kreatif Di Era Digital*, 1(1), 362–375. www.Unilever.co.id
- Ningsih, T. W. (2021). Pengaruh Islamic Corporate Governance Terhadap

- Pengungkapan Islamic Social. *Jurnal Ilmu Ekonomi Dan Bisnis Islam - JIEBI*, 3(1).
- Nusron, L. A., & Diansari, R. E. (2021). Islamic Social Reporting (Isr) Pada Perbankan Syariah Di Indonesia. *Jurnal Ilmiah Ekonomi Dan Bisnis*, 18(1), 65–73.
- Othman, R., Thani, A. M., & Ghani, E. K. (2009). Determinants Of Islamic Social Reporting Among Top Shariah -Approved Companies In Bursa Malaysia. *Research Journal of International Studies*, 12(12), 4–20.
- Pangesti, E. T., & Pramono, N. H. (2022). Faktor-Faktor yang Mempengaruhi Pengungkapan Islamic Social Reporting pada Bank Syariah di Indonesia. *JIEF : Journal of Islamic Economics and Finance*, 2(1), 94–110. <https://doi.org/10.28918/jief.v2i1.5436>
- Pardanty, A. S., & Yuliandhari, W. S. (2021). Effect of Profitability, Company Size, and Company Age To Islamic Social Reporting Disclosure. *E-Proceeding of Management*, 8(6), 8419–8426.
- Peraturan Pemerintah RI. (2007). *Undang-Undang Republik Indonesia Nomor 40 Tahun 2007 Tentang Perseroan Terbatas*. [http://digilib.unila.ac.id/4949/15/BAB II.pdf](http://digilib.unila.ac.id/4949/15/BAB%20II.pdf)
- Prasetyoningrum, A. K. (2019). Pengaruh Ukuran Perusahaan, Profitabilitas, Leverage, Efisiensi Biaya, Dan Umur Perusahaan Terhadap Islamic Social Reporting (ISR) Pada Perbankan Syariah Di Indonesia. *MALIA: Journal of Islamic Banking and Finance*, 2(2), 147. <https://doi.org/10.21043/malia.v2i2.4780>
- Pratomo, J., & Nugrahanti, T. P. (2022). Analisis Pengaruh Pengungkapan Islamic Social Reporting Pada Bank Umum Syariah. *Jurnal Ilmiah Multi Disiplin Indonesia (HUMANTECH)*, 2(1), 274–283.
- Purwani, T., Nurlaela, S., & Wijayanti, A. (2018). Size, Profitabilitas, Likuiditas, Leverage dan Tax Avoidance Terhadap Pengungkapan Islamic Social Reporting di Indeks Saham Syariah. *Indonesian Economics Business and Management Research*, 1(1), 110–117. <http://journal.uniba.ac.id/index.php/IJEBMR/article/view/114/110>
- Rahmawati, D., Badina, T., Rosiana, R., & Fatoni, A. (2022). Pengaruh Ukuran Perusahaan, Profitabilitas, Leverage, Efisiensi Biaya, Umur Perusahaan dan Ukuran Dewan Pengawas Syariah Terhadap Islamic Social Reporting Pada Perbankan Syariah Di Indonesia Periode 2016-2020. *Jurnal Rekognisi Ekonomi Islam*, 1(1), 186–201.
- Rahmawati, U., & Supriatin, D. (2020). Faktor – Faktor Yang Mempengaruhi Tingkat Pengungkapan Islamic Social Reporting (Isr) (Studi Empiris Pada Bank Umum Syari’Ah Yang Ada Di Indonesia Periode (2015-2018). *Sekolah Tinggi Ilmu*
-

- Ekonomi Indonesia*, 1–16. <http://repository.stei.ac.id/id/eprint/2046>
- Risqi, M. I. M., & Septriarini, D. F. (2021). Determinan Pengungkapan Islamic Social Reporting (Isr) Oleh Bank Syariah Di Indonesia Dan Malaysia. *Jurnal Ekonomi Syariah Teori Dan Terapan*, 8(4), 413. <https://doi.org/10.20473/vol8iss20214pp413-425>
- Riyanti, B. (2021). Islamic Social Reporting Bank Syariah di Indonesia : Fokus Pada Islamic Governance Score, Ukuran Perusahaan, Profitabilitas, Likuiditas dan Leverage. *Magisma: Jurnal Ilmiah Ekonomi Dan Bisnis*, 9(2), 110–124. <https://doi.org/10.35829/magisma.v9i2.148>
- Rosiana, R., Arifin, B., & Hamdani, M. (2015). Pengaruh Ukuran Perusahaan, Profitabilitas, Leverage dan Islamic Governance Score Terhadap Pengungkapan Islamic Social Reporting. *Esensi Jurnal Bisnis Dan Manajemen*, 5(1), 87–104.
- Safitri, F., & Rofiuddin, M. (2021). Pengungkapan islamic social reporting yang dimoderasi komisariss independen dengan teknik moderated regression analysis. *Journal of Accounting and Digital Finance*, 1(2), 138–152. <https://doi.org/10.53088/jadfi.v1i2.154>
- Setiawan, R., Mauluddi, H. A., & Hermawan, D. (2021). Analisis Islamic Social Reporting pada Perbankan Syariah di Indonesia. *Journal of Applied Islamic Economics and Finance*, 1(3), 572–585. <https://doi.org/10.35313/jaief.v1i3.2594>
- Setiawati, A., Uzliawati, L., & Yulianto, A. S. (2023). Pengaruh Profitabilitas, Ukuran Perusahaan, Dan Umur Perusahaan Terhadap Islamic Social Reporting Disclosure. *Edunomika*, 4(1), 88–100.
- Sunarto, Y. K., Hariyanti, W., & Harjito, Y. (2020). Analisis Faktor-Faktor Yang Mempengaruhi Pengungkapan Islamic Social Reporting Pada Bank Umum Syariah Di Indonesia 2014-2018. *Balance*, 12(2), 25–40.
- Tania, M. &. (2019). Pengaruh Debt Equity Ratio, Pertumbuhan Aset, Perputaran Modal Kerja, Dan Corporate Social Responsibility Terhadap Profitabilitas. *Jurnal Akuntansi Dan Keuangan*, 8(2), 139–155.
- Taufik, T., Widiyanti, M., & Rafiqoh, R. (2015). Pengaruh Islamic Governance Score, Leverage Dan Profitabilitas Terhadap Islamic Social Reporting Indexpada Bank Umum Syariah Di Indonesia. *Jurnal Manajemen Dan Bisnis Sriwijaya*, 13(2), 177–198. <https://doi.org/10.29259/jmbs.v13i2.3348>
- Undang-Undang Republik Indonesia Nomor 40 Tahun 2007 Tentang Perseroan

- Terbatas, (2007). [https://www.ojk.go.id/sustainable-finance/id/peraturan/undang-undang/Documents/5. UU-40-2007 PERSEROAN TERBATAS.pdf](https://www.ojk.go.id/sustainable-finance/id/peraturan/undang-undang/Documents/5.UU-40-2007%20PERSEROAN%20TERBATAS.pdf)
- Utami, D. E., & Irawati, Z. (2021). The role of the financial and macroeconomy industry on the development of the sukuk (Sharia compliant bonds) market: The case of Indonesia. *Academic Journal of Interdisciplinary Studies*, 10(4), 225-236.
- Utari, A. S., Suryana, & Wulandari, N. S. (2020). Faktor-Faktor Yang Mempengaruhi Corporate Social Responsibility Dengan Metode Islamic Social Reporting. *Journal of the European Academy of Dermatology and Venereology*, 34(8), 709.e1-709.e9. <http://dx.doi.org/10.1016/j.jaad.2013.01.032>
- Widyanti, A. D., & Cilarisinta, N. (2020). Pengaruh Profitabilitas, Kepemilikan Institusional dan Kinerja Lingkungan Terhadap Islamic Social Reporting. *Kompartemen: Jurnal Ilmiah Akuntansi*, 18(2), 99–109. <https://doi.org/10.30595/kompartemen.v18i2.7700>
- Wijaya, N., M. Rasuli, & Rofika, R. (2020). Tingkat Pengungkapan Islamic Social Reporting Pada Bank Umum Syariah. *CURRENT: Jurnal Kajian Akuntansi Dan Bisnis Terkini*, 1(3), 457–477. <https://doi.org/10.31258/jc.1.3.458-474>
- Wulandari, F. (2019). The Role Of Citizenship Behavior Of Alumni Towards Their Almamater: A Driver Of Financial And Social Giving Behaviour. *Jurnal Manajemen dan Pemasaran Jasa*, 12(2), 191-206.
- Wulandari, F., & Wardani, M. K. (2024). Open innovation in village-owned enterprises: the role of entrepreneurial orientation in improving financial and social performance. *Cogent Business & Management*, 11(1), 2350079.
- Yentisna, Y., & Alvian, A. (2019). Pengaruh Profitabilitas, Likuiditas Dan Leverage Terhadap Islamic Social Reporting Pada Bank Umum Syariah di Indonesia. *Menara Ilmu*, XIII(10), 80–88.
-