

MODELING ISLAMIC SOCIAL REPORTING IN THE INDONESIAN CAPITAL MARKET

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ABSTRACT – Islamic Social Reporting (ISR) is an extension of the social reporting concept that examines companies' spiritual and economic roles. However, some Sharia-indexed companies in the Indonesian Capital Market do not fully disclose ISR in their annual reports, despite its importance for Muslim investors. This study analyzes the impact of company size, age, profitability, leverage, and independent commissioners on ISR disclosure in the Indonesia Capital Market. The research employs a quantitative approach, utilizing secondary data from a panel dataset consisting of 10 companies listed on the Jakarta Islamic Index (JII) from 2016 to 2022. To analyze the data, this study utilizes panel data regression analysis, which incorporates three distinct approaches: the standard effect model, fixed effect model, and random effect model. The Chow Test and Hausman Test are then conducted to determine the optimal model for estimating the outcomes. The panel regression results are subsequently estimated utilizing the Random Effect Model approach. The findings indicate that company size, profitability, leverage, and independent commissioners do not affect ISR disclosure. However, company age significantly and positively influences ISR disclosure. These results emphasize the need for mandatory ISR disclosure regulations in the Indonesian Capital Market to enhance transparency and accountability for Muslim investors.

Keywords: ISR, Profitability, Independent Commissioner, Company Age, Leverage

ABSTRAK – Pemodelan Islamic Social Reporting di Pasar Modal Indonesia. *Islamic Social Reporting (ISR) merupakan perluasan dari konsep social reporting yang tidak hanya membahas peran perusahaan dalam perekonomian, tetapi juga perspektif spiritual. Akan tetapi, walaupun ISR merupakan informasi penting bagi investor muslim dalam pengambilan keputusan investasi, beberapa perusahaan dalam indeks syariah belum sepenuhnya mengungkapkan ISR dalam laporan tahunannya. Penelitian ini bertujuan untuk menguji dan menganalisis pengaruh ukuran perusahaan, umur perusahaan, profitabilitas, leverage dan komisaris independen terhadap pengungkapan ISR di Pasar Modal Indonesia. Penelitian ini menggunakan pendekatan kuantitatif dengan menggunakan data sekunder berbentuk data panel dari 10 perusahaan yang listing di Jakarta Islamic Index (JII) dari tahun 2016-2022. Data dianalisis dilakukan dengan regresi data panel yang menggunakan tiga pendekatan: common effect model, fixed effect model dan random effect model. Uji Chow dan Uji Hausman digunakan untuk memilih model terbaik dalam mengestimasi hasil penelitian. Sementara itu, untuk mengestimasi hasil regresi panel digunakan pendekatan Random Effect Model. Hasil penelitian menunjukkan bahwa ukuran perusahaan, profitabilitas, leverage dan komisaris independen tidak berpengaruh terhadap pengungkapan ISR di Pasar Modal Indonesia, sedangkan umur perusahaan berpengaruh positif signifikan terhadap pengungkapan ISR di Pasar Modal Indonesia. Implikasi dari temuan ini menitikberatkan pada pentingnya regulasi tentang kewajiban pengungkapan ISR bagi perusahaan-perusahaan yang listing di JII agar meningkatnya transparansi dan akuntabilitas untuk para investor Muslim.*

Kata Kunci: ISR, Profitabilitas, Komisaris Independen, Umur Perusahaan, Leverage

INTRODUCTION

The capital market is a platform for trading long-term financial instruments, including stocks, bonds, derivatives, and others. It has economic and financial functions, facilitating fund transfers between lenders and borrowers and providing funds without direct asset ownership (Obstfeld, 1998). In Indonesia, the Shariah capital market has been in operation since 1997 and was officially established on March 14, 2003 (Darmadji & Fakhruddin, 2012). It follows Shariah principles in its transactions, ensuring compliance through fatwas issued by the Shariah Supervisory Board (DSN), regulations set by the Financial Services Authority (OJK), and rules of the stock exchange (Hidayatullah, 2022). Among capital market instruments, stocks are popular for their attractive returns. Shariah-compliant stocks adhere to principles that avoid interest, gambling, fraud, injustice, and the production of prohibited goods (Putri, 2017).

The Shariah stock index reflects the price movement of selected Shariah-compliant stocks. The OJK issues the Shariah Securities List (DES) as a reference for stock exchange selection. The purpose of the Shariah stock index is to facilitate Shariah-compliant investments (Maiyaki, 2013). There are five Shariah stock indices in the Indonesian capital market: Indonesia Shariah Stock Index (ISSI), Jakarta Islamic Index (JII) 30, Jakarta Islamic Index 70 (JII70), IDX-MES BUMN 17, and IDX Sharia Growth. ISSI indicates the performance of listed Shariah stocks. JII consists of 30 liquid Shariah stocks, while JII70 comprises 70 liquid Shariah stocks. IDX-MES BUMN 17 measures the price performance of 17 Shariah stocks, including state-owned enterprises. IDX Sharia Growth tracks the price performance of 30 Shariah stocks with strong growth in net profit and revenue (Wahyudi & Sani, 2014).

The topic of social responsibility disclosure in companies remains highly interesting in Indonesia. Some Sharia-indexed companies have not fully disclosed Islamic Social Responsibility (ISR) in their annual reports, even though ISR is essential information for Muslim investors in making investment decisions. In the conventional economy, the concept of corporate social reporting (CSR) is based on the triple bottom line principle, popularized by Elkington (1999). Haniffa (2002) explains that the conventional framework for social reporting primarily focuses on material aspects, resulting in an imbalance in the disclosure of accounting information related to a company's social responsibility towards influential groups. However, the principles of Shariah



are not incorporated into this CSR concept. To address this, it is necessary to include additional aspects such as material, moral, and spiritual considerations that establish the relationship between humans and God, humans and other humans, and humans and the environment (Kamri et al., 2014).

Therefore, the establishment of ISR requires a Shariah-based framework. ISR serves as an alternative standard for reporting social responsibility in line with Shariah principles, and it is issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) (Sawitri et al., 2017). The concept of ISR helps Muslim stakeholders make informed decisions and assists companies in fulfilling their obligations towards Allah, society, and the surrounding environment.

The implementation of Islamic Social Reporting is measured through the ISR Index, which is an annual report that documents a company's Islamic-based social activities. The ISR Index is considered an initial step towards establishing disclosure standards for Shariah-based socially responsible entities. According to Haniffa (2002) and Othman et al. (2009), there are six themes of Islamic Social Reporting: Finance and Investment, Products and Services, Employees, Community, Environment, and Corporate Governance. These themes should be guided by Shariah principles, including the avoidance of interest (*riba*), gambling, injustice, fraud, and the production of prohibited and harmful goods (Ibrahim et al., 2022).

Previous research has focused on identifying factors that influence ISR. Company characteristics such as size, age, profitability, leverage, and the presence of independent commissioners have been identified as determinants of CSR (M. Dewi & Budiasih, 2021; P. A. C. Dewi & Sedana, 2019; Hidayah & Wulandari, 2017; Jannah & Asrori, 2016; Krisna & Suhardianto, 2016; Kurniawati & Yaya, 2017; Nofitasari & Endraswati, 2019; Rahayu & Budi S., 2018; Rizfani & Lubis, 2018; Sari & Helmayunita, 2019; Siregar & Tampubolon, 2019; Umiyati & Baiquni, 2018; Widiyanti & Hasanah, 2018). However, the results of these studies have been inconsistent and sometimes contradict theoretical expectations.

Therefore, this study aims to examine the impact of company factors (size, age, profitability, financial leverage, and independent commissioners) on Islamic Social Reporting in the Jakarta Islamic Index within the Indonesian capital market. It builds upon previous research conducted by Othman et al. (2009),

expanding and modifying the independent variables to suit the Indonesian context. The research utilizes a different econometric method for data analysis compared to earlier studies. It is expected to provide valuable insights for Muslim investors and investment managers in effectively selecting portfolio stocks to maximize the benefits of investment diversification. The findings are also important for companies that offer Islamic stocks, as they can optimize their activities and attract more investors by appropriately managing the characteristics of their stocks to generate higher returns.

The rest of this study is structured as follows: Section 2 examines specific relevant theories and literature pertaining to the factors that influence stock returns. Section 3 focuses on discussing the data and research methods employed, while Section 4 presents the empirical evidence and subsequent discussions. Lastly, Section 5 offers conclusions and recommendations for future studies.

LITERATURE REVIEW

Disclosure refers to the provision of information by a company to stakeholders interested in the company's status. In the context of financial statements, disclosure entails the presentation of comprehensive and transparent information that accurately depicts the company's activities, ensuring that users of financial statements are not perplexed when making decisions (Hidayah & Wulandari, 2017). Company reporting encompasses two categories: mandatory disclosure and voluntary disclosure (Wulandari & Atmini, 2012). Mandatory disclosure entails the release of information that is legally required by regulations established by the Capital Markets Supervisory Board. Conversely, voluntary disclosure involves the company providing information without any obligatory regulations.

Corporate social responsibility (CSR) reporting refers to the commitment of companies or businesses to contribute to sustainable economic development by taking into account corporate social responsibility, emphasizing a balanced approach that encompasses economic, social, and environmental aspects (Fahmi, 2014). Conceptually, CSR represents an approach whereby companies integrate social concerns into their business operations and interactions with stakeholders, guided by the principles of voluntarism and collaboration (Suharto, 2009). From an Islamic perspective, social responsibility reporting entails both mandatory and voluntary disclosures (Assegaf et al., 2012). The



disclosure of social responsibility following Sharia principles is known as Islamic Social Reporting (Cahya & Rohmah, 2019).

Theoretical Review

According to agency theory, conflicts of interest often arise between investors and managers. While company owners aim to maximize profits by increasing company performance, managers, who are appointed by shareholders, should act in accordance with the shareholders' interests. However, these differing interests can lead to conflicts, which are commonly referred to as agency problems. Agency problems tend to occur when the ownership of shares in a company is less than one hundred percent. In cases where the owner is also the manager, the company will prioritize maximizing investor welfare while minimizing costs that investors perceive as less beneficial. Agency problems typically arise when the company owner intends to sell their shares to other investors. Larger companies generally have a higher potential for agency problems (Sartono, 2010).

Stakeholder theory emphasizes that a company should not solely focus on its own interests but also consider the well-being of its stakeholders, including managers, employees, investors, creditors, government, consumers, and the surrounding community. The theory posits that companies have a social responsibility towards all stakeholders affected by their activities. Jessica and Toly (2014) argue that a company's commitment extends beyond its owners to encompass its responsibilities to the community in which it operates.

Legitimacy theory highlights the existence of a social contract between a company and its operating community. The theory emphasizes the concept of organizational legitimacy, whereby the broader community can determine the allocation of financial and economic resources. Tampubolon and Siregar (2019) state that social and environmental disclosure practices serve as a means for companies to be accountable to the public, informing them about the positive and negative impacts of the company's activities on society and the environment. According to Dowling and Pfeffer (1975), legitimacy theory places significant importance on companies conforming to social norms and values, encouraging the analysis of corporate behavior and attention to environmental responsibility. Furthermore, Sari and Helmayunita (2019) explain that legitimacy helps protect the company from adverse consequences and enhances its reputation.

Hypothesis Development

The disclosure of social responsibility in financial statements is a crucial step in obtaining legitimacy from all stakeholders. It also serves as a medium to uphold the company's reputation in the eyes of stakeholders (Krisna & Suhardianto, 2016). As companies grow in size, there is an increased demand for more comprehensive information in annual reports, which demonstrates their accountability to stakeholders. According to the legitimacy theory, companies voluntarily report their activities when their community expects it, indicating a social contract between the company and the community in which it operates (Ulum, 2017). The legitimacy theory further asserts that companies must consider the rights of all parties, particularly Muslim stakeholders, when making investment decisions (Zubek & Mashat, 2015). Therefore, company size is considered an independent variable that influences the extent of Islamic Social Reporting (ISR) disclosure. Building on previous research by Jannah and Asrori (2016), Rahayu and Budi (2018), and Tampubolon and Siregar (2019), the following hypothesis can be formulated:

H₁: Company size significantly affects ISR disclosure in companies listed on the Jakarta Islamic Index.H₁:

The age of a company is an integral part of its identity and is considered a significant factor in social responsibility disclosure. Older companies tend to have accumulated more extensive information about their operations compared to newly established companies, which often prioritize profit generation. According to the agency theory, companies with more experience are better equipped to understand the information needs of stakeholders, thereby reducing information asymmetry and potential conflicts between different parties within the company. Social responsibility disclosure, in this context, serves as a means to mitigate conflicts between debtholders and stockholders while enhancing the company's reputation (Rizfani & Lubis, 2019). Established companies with a longer operating history tend to attract more public attention. To maintain stability and uphold the company's image, these companies continually strive to improve their performance, including the disclosure of corporate social responsibility, driven by stakeholder demands, which may also encompass Islamic responsibility (Rizfani & Lubis, 2019; Wahyono et al., 2020). Therefore, company age becomes the second independent variable in this research, leading to the following hypothesis:



H2: Company age significantly affects ISR disclosure in companies listed on the Jakarta Islamic Index.

The relationship between profitability and the decision to disclose social responsibility can be observed through previous research conducted by Widiyanti and Hasanah (2017) and Dewi and Budiasih (2021). Profitability reflects a company's ability to generate profits and provides management with the discretion and flexibility to disclose information about their social responsibility practices to stakeholders. Generally, companies with higher profitability tend to disclose a greater amount of information compared to those with lower profitability. In the context of legitimacy theory, companies are expected to actively pursue legitimacy from their stakeholders. Particularly for Sharia-indexed companies, it is important to disclose information specifically related to Islamic social responsibility reporting. Therefore, profitability is considered the third independent variable in this research, leading to the following hypothesis:

H3: Profitability significantly influences ISR disclosure in companies listed on the Jakarta Islamic Index.

Shareholders wield substantial influence over the long-term growth of a company. According to agency theory, shareholders are motivated to uphold public legitimacy, thereby ensuring the company's sustainability in the long run. Leverage refers to the utilization of external funding sources to amplify profits through investments, acquisitions, or asset financing. It serves as a critical indicator for assessing a company's financial standing. Companies with high leverage often face heightened scrutiny from debtholders. Aligned with the research conducted by Krisna and Suhardianto (2016), Umiyati and Baiquni (2018), and Dewi and Sedana (2019), leverage is considered as the fourth variable in this study. Accordingly, the following hypothesis is formulated:

H4: Leverage has a significant impact on ISR disclosure in companies listed on the Jakarta Islamic Index.

An independent commissioner is a body within a company that consists of a board of commissioners appointed from outside the organization through the General Meeting of Shareholders (GMS). The role of independent commissioners is to assess and oversee the overall performance of the company. According to stakeholder theory, the board of commissioners also plays a crucial role in supervising the company's social performance, including

the disclosure of corporate social responsibility. This aligns with the findings of Kurniawati and Yaya (2017), Nofitasari and Endraswati (2019), and Sari and Helmayunita (2019). Therefore, the presence of independent commissioners has an influence on the extent of disclosure in corporate social reports, particularly regarding Islamic social responsibility. Consequently, independent commissioners are considered as the fifth independent variable in this study. The formulated hypothesis is as follows:

H₅: Independent commissioners significantly affect ISR disclosure in companies listed on the Jakarta Islamic Index.

METHODOLOGY

This research employs a quantitative research method with a causal associative approach to test and analyze the factors affecting the disclosure of Islamic Social Reporting (ISR) in companies listed on the Jakarta Islamic Index (JII) from 2016 to 2022 consecutively. The sample selection method utilized in this study is purposive sampling. The sample criteria include companies that were listed on the Jakarta Islamic Index continuously from 2016 to 2022. Based on the application of these criteria, a total of 10 companies were identified as the sample for this study.

Table 1. List of Companies listed on JII 2016-2022

No	Company Code	Company Name
1	ADRO	Adaro Energy Tbk.
2	ICBP	Indofood CBP Sukses Makmur Tbk.
3	INCO	Vale Indonesia Tbk.
4	INDF	Indofood Sukses Makmur Tbk.
5	KLBF	Kalbe Farma Tbk.
6	PTBA	Tambang Batu Bara Bukit Asam Tbk.
7	TLKM	Telekomunikasi Indonesia Tbk.
8	UNTR	United Tractors Tbk.
9	UNVR	Unilever Indonesia Tbk.
10	WIKA	Wijaya Karya (Persero) Tbk.

Source: Jakarta Islamic Index Report (Processed Data)

This study employs a secondary data approach in the form of panel data, encompassing Islamic Social Reporting (ISR), company size, company age, profitability, leverage, and independent commissioners from the period of 2016



to 2022. The data is treated as a time series, while the cross-sectional data includes ISR, company size, company age, profitability, leverage, and independent commissioners from a sample of 10 companies listed on the Jakarta Islamic Index (JII).

The data utilized in this research are derived from the annual reports of the selected companies and can be obtained from the official website of the Indonesia Stock Exchange (www.idx.co.id) as well as the respective official websites of the companies themselves. Islamic Social Reporting (ISR) serves as the dependent variable, while the independent variables comprise company size (UKP), company age (UP), profitability (P), leverage (L), and independent commissioners (KI). The operational definitions of these variables are delineated as follows:

Table 2. Operational Definition of Variables

Variable	Definition	Indicator
Islamic Social Responsibility (ISR)	The Islamic Social Reporting Index is an alternative standard to regulate Sharia-based corporate social responsibility reporting.	Disclosure Level = Number of Items that Meet / Total Number of Items (Total items used were 40 social disclosure items)
Company Size (UKP)	The size of the company is the size of the company. In this study, the company's size is a proxy of total assets.	Company Size = Total Assets
Company Age (UP)	Um Company age is when the company was founded to the final year report.	Company Age = Year of First Issue - Year of Establishment
Profitability (P)	Profitability is the company's ability to earn profits from sales, total assets, and own capital.	Return On Asset (ROA) = Net Income / Total Assets
Leverage (L)	Leverage is the ratio between the funds used to finance the company.	Leverage (DER) = Total Debt / Total Assets
Independent Commissioner (KI)	Independent commissioners are members of the Board of Commissioners who are not affiliated with the Board of Directors, other members of the Board of Commissioners, and controlling shareholders.	Independent Commissioner = Number of Independent Commissioners

Source: (Data processed, 2023)

The data analysis involves the utilization of panel data regression analysis with the support of statistical software EViews. The econometric model employed in this study is a regression estimation model using panel data. The model can be expressed as follows:

$$ISR_{it} = \beta_0 + \beta_1 UKP_{it} + \beta_2 UP_{it} + \beta_3 P_{it} + \beta_4 L_{it} + \beta_5 KI_{it} + \varepsilon_{it} \quad (1)$$

Where:

- UKP is the proxy result of total assets for company size
- UP is the age of the company
- P is the profitability of the company
- L is the financial leverage of the company
- KI is the independent commissioner, β_0 is the constant, $\beta_1 \dots \beta_5$ is the variable coefficient, ε is the error term, i is the cross section (10 companies), and t is the time series (years 2016-2022).

To obtain the estimation coefficients of each variable that can explain the disclosure of Islamic Social Reporting, all variables are transformed into natural logarithms, resulting in the following equations:

$$LNISR_{it} = \beta_0 + \beta_1 LN UKP_{it} + \beta_2 LN UP_{it} + \beta_3 LN P_{it} + \beta_4 LN L_{it} + \beta_5 LN KI_{it} + \varepsilon_{it} \quad (2)$$

LNISR, LN UKP, LN UP, LN P, LN L, and LN KI are the natural logarithm of Islamic social reporting, company size, company age, profitability, leverage, and independent commissioners in company i in period t , respectively.

In estimating the relationship between variables, panel regression offers three alternative approaches: the common effect model, fixed effect model, and random effect model. The selection of the most appropriate model among these three can be determined using the Chow test and Hausman test. The significance of the impact of each independent variable on the dependent variable is assessed through statistical calculations, specifically by examining the obtained p-values. A p-value less than 0.05 indicates a significant effect of the variable, while a p-value greater than 0.05 suggests that the variable does not have a significant effect.



RESULT AND DISCUSSION

Results

The Chow test and Hausman test are statistical tests commonly used in panel data regression analysis to determine the most appropriate model. These tests provide valuable insights into the suitability of different model specifications.

Table 3. Chow Test and Hausman Test Results

Chow-test			Hausman Test		
Effects Test	Statistic	Prob.	Test Summary	Chi-Sq. Statistic	Prob.
Period F	173.8878	0.0000	Period random	5.082284	0.4059
Period Chi-squared	236.7989	0.0000			

Source: (Data processed, 2023)

Table 3 presents the results of the Chow test and Hausman test, providing insights into the suitability of different regression models for the analysis of panel data. The Chow test evaluates the hypothesis of structural stability across different time periods, while the Hausman test examines the presence of endogeneity in the model.

The Chow test statistic is reported as 173.8878, with a corresponding probability value of 0.0000. This result indicates that the null hypothesis of structural stability is rejected at a significance level of 0.05, suggesting significant differences across the periods under investigation. Consequently, it is necessary to consider period-specific effects when modeling the relationship between variables. Turning to the Hausman test, the test statistic is presented as 5.082284, accompanied by a probability value of 0.4059. Comparing this probability value with the significance level of 0.05, we find that it exceeds the threshold, failing to reject the null hypothesis. This implies that the random effects assumption is valid, and the random effect model is more appropriate for the analyzed data.

Based on the outcomes of the Chow test and Hausman test, we can conclude that the Random Effect Model (REM) is the most suitable model for this study. Within the framework of the random effect model, the estimations indicate that only the company's age exhibits a statistically significant influence on the disclosure of Islamic Social Reporting (ISR) in the companies listed on the Jakarta Islamic Index from 2016 to 2022. However, the variables of company

size, profitability, leverage, and independent commissioners do not demonstrate a statistically significant relationship with ISR disclosure in the examined companies.

Table 4. Panel Regression Estimation

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.761798	0.139851	19.74817	0.0000
LN_UKP	-0.008659	0.014809	-0.584715	0.5608
LN_UP	0.095399	0.038982	2.447244	0.0172
LN_P	-0.000383	0.003404	-0.112622	0.9107
LN_L	0.010834	0.027480	0.394266	0.6947
LN_KI	0.004086	0.019140	0.213458	0.8316
Effects Specification				
			S.D.	Rho
Cross-section random			0.149029	0.9804
Idiosyncratic random			0.021049	0.0196
Weighted Statistics				
R-squared	0.135449	Mean dependent var		0.160841
Adjusted R-squared	0.067906	S.D. dependent var		0.021816
S.E. of regression	0.021063	Sum squared resid		0.028393
F-statistic	2.005375	Durbin-Watson stat		1.284565
Prob(F-statistic)	0.089748			

Source: Data processed (2023)

Furthermore, the estimation of panel regression is conducted and the results are presented in Table 4. It provides the statistical model that captures the factors influencing ISR disclosure, which can be expressed in the following equation:

$$LNISR_{it} = 2.761 - 0.008LNUP_{it} + 0.095LNUP_{it} - 0.0003LNP_{it} + 0.010LNL_{it} + 0.004LNKI_{it} + \varepsilon_{it} \quad (3)$$

Discussion

Company Size

The analysis reveals that there is no significant impact of company size on ISR disclosure in companies listed on the JII for the period 2016-2022. The coefficient estimate for company size is -0.008 with a p-value of 0.560, indicating that the relationship between company size and ISR disclosure is not statistically significant ($p > 0.05$). This finding supports the acceptance of the



null hypothesis (H_0) and the rejection of the alternative hypothesis (H_1), suggesting that the size of the company listed on the JII does not have a substantial effect on the disclosure of ISR. This finding is consistent with the research conducted by Susanti and Nurhayati (2018), which also concluded that company size does not influence ISR disclosure. It implies that larger companies do not necessarily exhibit better ISR disclosure compared to smaller companies (Fitranita & Wijayanti, 2020).

Typically, larger companies are expected to provide more information to investors for decision-making purposes. Moreover, the higher number of shareholders in large companies often leads to a greater demand for information, which would suggest increased disclosure. However, in this study, the lack of a regulatory requirement for ISR reporting in annual reports may have led companies to opt for non-disclosure. Consequently, the absence of a significant influence of company size on ISR disclosure is contrary to the expectations derived from legitimacy theory. The discrepancy in results can be attributed to the absence of mandatory reporting rules regarding ISR in annual reports. In the absence of such regulations, companies may choose not to disclose ISR due to various reasons.

Company Age

The analysis reveals a positive and significant effect of company age on ISR disclosure, as indicated by the estimated coefficient of 0.095. This effect is supported by a p-value of 0.017, which is below the significance level of 0.05 ($0.017 < 0.05$). Thus, the null hypothesis (H_0) is rejected, and the alternative hypothesis (H_1) is accepted, indicating that company age influences ISR disclosure in the context of the JII. The findings suggest that as a company's age increases, there is a tangible impact on the level of ISR disclosure. In other words, companies that have been operating for a longer period tend to have better ISR disclosure practices. This finding aligns with the research conducted by Wahyono, Putri and Cahya (2020), which also found a positive and significant relationship between company age and ISR disclosure. It implies that the longer a company operates, the more experienced it becomes in its operations, leading to a better understanding of the information needs of financial statement users (Hidayah & Wulandari, 2017).

By having a longer operational history, companies are able to convey information more effectively to stakeholders, thereby enhancing their image

and maximizing profits (Aulia et al., 2020). These results are in line with the concepts of stakeholder theory and agency theory, which emphasize the importance of addressing the information needs of stakeholders and maintaining public legitimacy for long-term sustainability. Overall, the findings suggest that company age plays a crucial role in influencing ISR disclosure, highlighting the significance of considering the temporal dimension when examining the factors influencing social responsibility practices in the context of the Jakarta Islamic Index.

Profitability

The analysis reveals that profitability does not exert a statistically significant impact on the ISR disclosure among companies listed on the JII. The estimated coefficient of -0.0003 indicates a negligible effect of profitability on ISR disclosure. Furthermore, the p-value of 0.910, which exceeds the significance level of 0.05, supports the acceptance of the null hypothesis (H_0) and the rejection of the alternative hypothesis (H_1). These results suggest that there is insufficient evidence to establish a significant relationship between profitability and ISR disclosure among the examined companies.

The findings suggest that companies with higher profitability levels tend to allocate fewer resources to social activities, implying a potential prioritization of profit-driven objectives over social responsibility initiatives. Consequently, companies listed on the JII during the period of 2016-2022 may have primarily focused on financial performance, exhibiting a limited commitment to disclosing their social responsibility efforts. Notably, these results align with previous studies conducted by Fitranita and Wijayanti (2020), Muarif et al. (2021), and Kalbuana et al. (2019), which similarly found no significant association between profitability and ISR disclosure. However, the lack of statistical significance does not diminish the relevance of profitability for ISR disclosure. Other underlying factors or mechanisms may influence the complex interplay between profitability and ISR disclosure, warranting further investigation to comprehensively elucidate these dynamics within the context of the Jakarta Islamic Index.

These findings contribute to the extant literature by advancing our understanding of the specific linkages between profitability and ISR disclosure within the JII context. The results provide valuable insights for policymakers, regulators, and practitioners in comprehending the determinants of ISR



practices and underscore the importance of considering multifaceted dimensions when evaluating the social responsibility performance of companies. Future research endeavors should explore additional variables and employ more sophisticated methodologies to unravel the nuanced relationships between profitability, social responsibility, and financial performance.

Leverage

The estimation results indicate that leverage does not exert a statistically significant impact on the ISR disclosure among companies listed on the JII for the period of 2016-2022. This conclusion is supported by the p-value of 0.694, which exceeds the commonly accepted significance level of 0.05. Consequently, the null hypothesis (H_0) is accepted, while the alternative hypothesis (H_1) is rejected. These findings suggest that the level of leverage in companies listed on the JII does not play a significant role in influencing their ISR disclosure practices.

The results of this study align with the research conducted by Hasanah et al. (2017), which similarly found no significant association between leverage and ISR disclosure among JII-listed companies. The non-significant relationship between leverage and ISR disclosure can be attributed to the fact that users of financial statements already obtain the necessary reports through the annual financial statements mandated to be disclosed by companies. Additionally, relevant information regarding leverage may be obtained through contractual agreements, such as debt covenants, which provide stakeholders with adequate insights into the financial position of the company (Mailinda et al, 2018). Consequently, users of financial statements may not explicitly demand companies to disclose ISR in their annual reports, as management considers the costs and benefits associated with providing information to external parties, including expenses related to ISR disclosure (Prayoga & Almilia, 2013).

It should be noted that the non-significant relationship between leverage and ISR disclosure does not undermine the overall significance of leverage in the broader financial context. While this study does not establish a significant impact of leverage on ISR disclosure, other factors and mechanisms may influence the complex relationship between financial leverage and social responsibility practices. Future research endeavors should explore additional variables and adopt more sophisticated methodologies to gain a more comprehensive understanding of the intricate dynamics surrounding leverage

and ISR disclosure among companies listed on the JII. These findings contribute to the existing body of literature by providing insights into the specific linkages between leverage and ISR disclosure within the context of the JII. The results have practical implications for stakeholders, including regulators and policymakers, in their assessment of the determinants of ISR practices. Moreover, these findings highlight the need for companies to consider a range of factors when evaluating their social responsibility performance and the potential influence of financial leverage.

Independent Commissioners

The findings from the estimation analysis reveal that the presence of independent commissioners does not have a significant impact on the disclosure of Islamic Social Responsibility (ISR) among companies listed on the Jakarta Islamic Index (JII) during the period of 2016-2022. This conclusion is supported by the estimated coefficient of the independent commissioner variable, which is 0.004, and the corresponding p-value of 0.831, exceeding the commonly used significance level of 0.05. Consequently, the null hypothesis (H0) is accepted, while the alternative hypothesis (H1) is rejected. In essence, the number of independent commissioners in JII-listed companies does not significantly influence their ISR disclosure practices.

These results suggest that whether a company has a large or small number of independent commissioners does not have a significant bearing on the extent of ISR disclosure. This finding is consistent with the research conducted by Cahaya and Rohmah (2019), who found no significant relationship between the number of commissioners and Islamic Social Responsibility Disclosure (ISR). However, it contradicts the findings of Nofitasari and Endraswati (2019), who observed that the presence of an independent board of commissioners has a positive influence on ISR disclosure in companies. The differing results may be attributed to the fact that independent commissioners typically serve as part-time members and may have a limited understanding of the intricate operations of the company, thus potentially affecting their ability to influence decision-making processes. Moreover, the presence of independent commissioners in companies is often driven by regulatory requirements, mandating a minimum of 30% independent commissioners on the board. Consequently, companies may appoint independent commissioners primarily to fulfill these regulations, without substantial impact on the information disclosure supervisory process (Kurniawati & Yaya, 2017).



Nonetheless, while the results indicate no significant relationship between independent commissioners and ISR disclosure, the role and effectiveness of independent commissioners in corporate governance and decision-making processes extend beyond the scope of this study. Further research is necessary to explore additional dimensions and mechanisms that may impact the relationship between independent commissioners and ISR disclosure in the context of JII-listed companies. The implications of these findings are relevant to various stakeholders, including regulators, policymakers, and companies themselves. Regulators and policymakers should consider these results when evaluating the effectiveness of regulations related to independent commissioners and ISR disclosure. Furthermore, companies should take a comprehensive approach to corporate governance, considering various factors beyond the mere presence of independent commissioners, to enhance their social responsibility practices and improve stakeholder perceptions.

The aforementioned findings contribute to our understanding of the determinants of ISR disclosure and highlight the pivotal role of company age in shaping disclosure practices. Nevertheless, the lack of statistically significant effects for variables such as company size, profitability, leverage, and independent commissioners suggests that these factors may not have a substantive impact on ISR disclosure in the selected companies listed on the Jakarta Islamic Index during the period of 2016 to 2022.

CONCLUSION

Islamic Social Reporting (ISR) plays a crucial role in business entities as they transition from a single bottom line (profit) to a triple bottom line (profit, people, planet) based on Islamic Sharia principles. ISR serves as a guide for Muslims in making investment decisions and helps companies fulfill their obligations to Allah SWT and the surrounding community. This study employs content analysis to assess the extent of Sharia social responsibility disclosure among companies listed on the Jakarta Islamic Index from 2016 to 2022. The panel data regression estimation results indicate that company size, profitability, leverage, and independent commissioners do not have a significant impact on ISR disclosure. However, company age emerges as the sole variable with a positive influence on ISR disclosure in the JII-listed companies during the mentioned period.

These findings diverge from stakeholder theory, which emphasizes stakeholder influence on companies. It implies that factors such as company size,

profitability, leverage, and independent commissioners are inadequate in explaining ISR disclosure. Similarly, the theories of legitimacy and social contract are not supported, as stakeholders, particularly Muslims, exhibit limited concern for obtaining legitimacy and social contracts. The absence of ISR disclosure in JII-listed companies concerning the aforementioned factors can be attributed to several reasons. Firstly, ISR in Indonesia lacks conceptual clarity, and practical guidelines or standards are not readily available. Secondly, managers may lack motivation or knowledge regarding the triple bottom line concept, particularly in fulfilling their obligations to God as Muslims. Lastly, there are no specific regulations mandating Sharia-indexed companies to disclose ISR in their annual reports.

This study has some limitations, primarily due to the content analysis approach, which only considered 40 ISR items. Future studies are encouraged to employ ISR content analysis based on the 46 items outlined by AAOIFI. Additionally, researchers should explore other Sharia indexes and incorporate variables that have a more significant contribution to ISR disclosure, while also considering a longer time frame for a more comprehensive understanding of the subject. Regulatory authorities bear the responsibility of formulating regulations concerning ISR disclosure in Sharia-indexed companies. These companies should prioritize not only their financial performance but also their social activities to benefit the community and the environment.

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