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Research Article

Factors Affect the Disclosure of Islamic Social Reporting at Sharia Commercial Banks

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Abstract
Today the credit of the sharia bank is based on its social activity, which impacts its economic activities. The study analyzes factors that affect Islamic social inequality in the sharia bank at IDX. The research uses the secondary data of the annual report with a sample of 4 buses going public in 2018-2020. A non-sampling sample with a saturated sample type uses the sample retrieval technique. The data analysis method used is the regression test panel using the Eviews software 10. The results of this study indicate that good corporate governance and exposure variables do not significantly affect Islamic Social Reporting (ISR), with variable corporate size affecting Islamic Social Reporting (ISR). In comparison, there is simultaneously no influence between affirmative governance variables, exposure media, and the firm's size On Islamic Social Reporting (ISR). The implications of this research are expected to be able to provide theoretical contributions related to the disclosure of Islamic social responsibility. They are useful in providing input for policymakers and regulators on the Indonesia Stock Exchange.

Keywords: good corporate governance, media exposure, company size, sharia bank, ISR

JEL Classification: E50, F65, G30

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1. Introduction

The issue of sharia banking development is directed at providing the greatest benefit to society and contributing optimally to the national economy (Nikmah et al., 2020). Especially the impact caused by the company. Currently, the commitment and responsibility of Islamic banks are expressed through their social activities, known as Corporate Social Responsibility (CSR) (Aula et al., 2022). CSR is an idea that makes companies no longer face a single bottom-line responsibility, namely only on financial conditions. In the book "Cannibals with Forks: The Triple Bottom Line of 21st Century Business" by John Elkington in 1997, he suggested that businesses include economic, social, and environmental factors to assess their performance. However, with the development of the triple bottom line concept, it is termed three concepts: profit, people, and planet (3P). The addition of ideas by (Sukardi et al., 2022; Umiyati & Baiquni, 2019) on Islamic banks is to become a quadruple bottom line concerning the role of the prophet as an ethical guideline with sharia principles.

Measuring social responsibility or CSR in Islamic financial institutions still refers to the Global Reporting Initiatives Index (GRI Index) because no specific legal regulations have been stipulated to discuss sharia-based social responsibility (Wardani & Sari, 2018). It aligns with Islamic Social Reporting (ISR) disclosure concept, which emphasizes companies developing social responsibility disclosures with ethical and sustainable (sustainable) business practices economically, socially, and environmentally. It is hoped to trigger the concept of disclosure on social accounting practices that follow sharia principles to meet the public's need for information. Sharia Commercial Banks are financial institutions that gather funds from the public through savings and then redistribute these funds to the public through financing and other means to enhance people's livelihoods and facilitate payment services. However, further efforts are required to fully unleash the potential of Islamic banking in the capital market and promote its growth (Buono & Suryanto, 2022).

The Financial Services Authority (OJK) is responsible for regulating and overseeing both Conventional Commercial Banks and Sharia Commercial Banks in accordance with Law Number 21 of 2011 concerning the Financial Services Authority (OJK). This law mandates that all public companies, including Tbk, must list their shares on the Indonesia Stock Exchange (IDX) or offer shares to the public. According to the announcement from PT Bursa Efek Indonesia No. Peng-00952/BEI.OPP/12-2018, dated 21 December 2018, there were three registered Islamic banks listed on the Sharia Securities List (DES):

Table 1. List of registered Islamic Banks

Code	Sharia Bank	IPO
BRIS	PT Bank Rakyat Indonesia Tbk	30 April 2018
PNBS	PT Bank Panin Dubai Syariah Tbk	30 December 2013
BTPNS	PT Bank BTPN Syariah Tbk	8 May 2018
BMI	PT Bank Muamalat Tbk	27 October 1994 (not registered on the IDX)

The Go Public sharia bank, Bank Muamalat Tbk, initially offered to operate as a Foreign Exchange Bank but was not listed on the Indonesia Stock Exchange (IDX). One of the reasons for the low number of sharia shares is the lack of companies that provide sharia financial infrastructure with guaranteed quality so that they cannot compete with conventional banks.

In Indonesia, only a limited number of Islamic banks have effectively implemented good corporate governance principles in line with Islamic views, known as Islamic Corporate Governance (ICG). This is primarily due to the fact that the concepts and legal frameworks still predominantly rely on conventional standards. However, according to Article 32 of the Sharia Banking Law, it is mandated that both Sharia Banks and Conventional Commercial Banks with Sharia Business Units (UUS) must establish a Sharia Supervisory Board (DPS) to oversee the operational activities of Islamic banks in accordance with Sharia principles. The presence of DPS is required in the financial institutions. According to DSN-MUI Regulation No.PER-01/DSN-MUI/X/2017, which focuses on the Sharia Supervisory Board in Islamic Financial Institutions (LKS), Islamic Business Institutions (LBS), and Islamic Economic Institutions (LPS), each of these entities must have a minimum of three DPS members, with one of them appointed as the chairperson. Small-scale LKS, LBS, and LPS are required to have at least two DPS members. In the current developments in sharia banks, the number of DPS is applied using a minimum number of 2 (two) members of the DPS, while Conventional Commercial Banks have set more than the standard set.

Some empirical evidence supports the role of social media, which is very influential in disclosing ISR in the public eye because it will be easier for people to see how companies have carried out the form of social responsibility. It will enhance the company's reputation if the public positively assesses the disclosure. The media exposure aspect is an effective medium for communicating ISR because it is hoped that the public will become familiar with the social activities carried out by the board of directors (Cahya et al., 2017). It can be seen from the statement of PSAK No.1 (revised 2009) paragraph 12, which states that companies, when disclosing CSR in their annual reports, are still voluntary. If the new information is assessed as good information (good news) by investors, then the inclusion of this information can be seen through an increase in a company's stock price. Not only that, the effect of company size significantly influences ISR disclosure. Large companies are measured by their total assets because large companies can express their social responsibility well. To maintain the stability and sustainability of the company will try to maintain and improve its performance, especially in terms of disclosure of corporate social information. It helps realize the vision of Bank Indonesia's grand strategy for developing the Islamic banking market in Indonesia (ojk.go.id, 2017).

2. Literature Review

Corporate Social Responsibility (CSR)

Corporate Social Responsibility (CSR), according to the World Business Council on Sustainable Development (WBCSD), is a company's commitment to carry out ethical behavior and contribute to sustainable economic development and other commitments to improve the quality of local communities and the wider community (Apriadi et al., 2017; Marnelly, 2012).

Disclosures

According to Marnelly (2013), there are two types of disclosures published by companies: Mandatory or mandatory and Voluntary or voluntary. According to the regulations of the Capital Market and Financial Institution Supervisory Agency (Bapepam) in Indonesia regarding Corporate Social Responsibility (CSR) disclosure, there are two types of disclosure: mandatory disclosure and voluntary disclosure. Mandatory disclosure refers to the compulsory information that companies are required to include in their annual reports. Failure to fulfill mandatory disclosure requirements would require the company to rectify the deficiencies to ensure compliance. On the other hand, voluntary disclosure refers to disclosure that goes beyond what is strictly required and is not mandatory for the company to provide. Voluntary disclosure is a type of disclosure of company financial information to the public that is disclosed.

Stakeholder Theory

Thoughts about stakeholder theory were originally put forward by Dodd (1985). Dodd proposed that corporations work not only for the benefit of shareholders but also for the general public and the nation's welfare. This theory is built based on the view that if corporate directors only seek as much profit as possible for the benefit of shareholders, the business will most likely deviate (Santosa et al., 2020).

Legitimacy Theory

The legitimacy theory expressed by Deegan and Brown (1996) explains that companies disclose social responsibility to gain legitimacy from the community where the company is located. According to Marnelly (2012) and Santosa (2019), legitimacy theory rests on a theory of social contracts, and the term social contract can be interpreted as permission from society to operate.

Islamic Social Reporting (ISR)

The emergence of the ISR concept was first put forward by Haryono (2022) and Bilgies et al. (2023) with five themes: funding and investment, products and services, employees, society, and the environment. Subsequently, Rohana Othman further developed the concept, particularly in Malaysia, by incorporating the theme of corporate governance. Islamic Social Reporting (ISR), according to AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions), is all social responsibility activities carried out by Islamic financial institutions to fulfill religious, economic, legal, ethical, and discretionary responsibilities as financial institutions either for individuals or institutions (Wahyono et al., 2020). Article 1, Clause 7 of Law Number 40 of 2007 on Limited Liability Companies (UUPT) defines a public company as a company that conducts a public offering of shares according to the regulations in the capital market sector. This is also explained in Article 1 point 1 of the Financial Services Authority Regulation Number 11/POJK.04/2017 concerning Reports of Ownership or Any Changes in Ownership of Public Company Shares (POJK 11/2017) Public Companies are Issuers that have made a public offering of equity securities or Public Company.

Public Company (Tbk)

As stated in M. Yahya Harahap's book "Limited Liability Company," a Public Company (Tbk) as defined in Article 1 number 7 of UUPT refers to a company that has a minimum of 300 shareholders and a paid-up capital of at least IDR 3 billion, or a company that conducts a public offering of shares on the Stock Exchange, which means the company offers or sells its shares or securities to the general public.

3. Data and Method

This type of research uses secondary data obtained from financial reports (annual reports) for 2018-2020 at each Go Public Islamic Bank, which is available on the official website, various book literature, and the internet. The sampling technique used is non-probability sampling with saturated sample types, meaning that the entire population is sampled (Fitria & Ariva, 2018). The population in this study were 4 BUS Go Public registered with OJK, namely Bank BRI Syariah Tbk, Bank BTPN Syariah Tbk, Bank Panin Dubai Syariah Tbk, and Bank Muamalat Tbk.

This study uses multiple linear regression analysis with panel data. The data obtained were then processed using E-Views 10 and analysis of the research data, namely descriptive statistics and hypothesis testing with the F test and t-test (Santosa & Hidayat, 2014; Umiyati & Baiquni, 2019).

4. Results

The results of measuring the Islamic Social Reporting (ISR) index in the annual report, the results of the ISR index are obtained as follows:

Table 2. Disclosure of ISR on BUS Go Public (Tbk)

Sharia Bank	2018	2019	2020
Bank BRI Syariah	84%	64%	68%
Bank BTPN Syariah	55%	61%	68%
Bank Panin Dubai Syariah	61%	59%	70%
Bank Muamalat	70%	82%	82%

According to Table 2, the Sharia Pension Savings Bank (BTPN) disclosed a minimum of 55% or 24 out of 44 Islamic Social Reporting (ISR) items in 2018. On the other hand, Bank BRI Syariah disclosed a maximum of 84% or 37 out of 44 ISR items in the same year. The disclosure of Islamic Social Reporting (ISR) is categorized into six themes. The following is a detailed explanation of each ISR index theme.

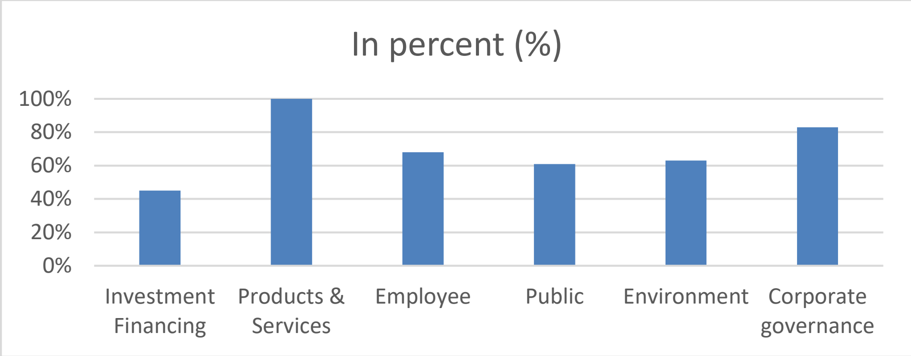

Figure 1. Disclosure of ISR based on detailed themes for each theme of the ISR index.

The lowest score of 45% is the theme of financing and investment. So the theme of financing and investment is still relatively unnoticed by Islamic banks.

Descriptive Statistical Analysis

Descriptive statistics are used to describe the variables in this study. The multiple linear analysis methods used include the average (mean), minimum, and maximum values presented in a numerical table (Ghozali, 2018).

Table 3. Descriptive Statistical Test Results

	ISR (%)	GCG Nominal	ME Nominal	SIZE (Rp)
Mean	0.69	2.58	0.58	23.92
Maksimum	0.84	2.77	1.00	24.78
Minimum	0.55	2.40	0.00	22.89
Std. Dev	0.10	0.13	0.51	0.75
Observations	12	12	12	12

Based on the results of Table 3, the observation value indicates the amount of data used, namely 12 data, which is the number of samples during 2018-2020.

Classic Assumption Test

Normality Test

The normality test uses two kinds of measurements: the Histogram and the Jarque-Bera test (Ghozali, 2016).

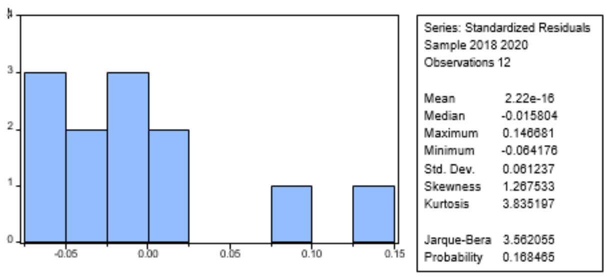

Figure 2. Normality Test Results

Graph 2 shows that the Jarque-Bera probability value is 0.168465 > 0.05, so this result shows that the residuals are normally distributed.

Multicollinearity Test

Table 4. Multicollinearity Test Results

	GCG	ME	SIZE
GCG	1.000000	-0.862820	0.249309
ME	-0.862820	1.000000	-0.160262
SIZE	0.249309	-0.160262	1.000000

The correlation coefficient of GCG and ME is -0.862820 < 0.85. coefficients GCG and SIZE of 0.249309 < 0.85. Then the coefficients ME and SIZE are - 0.160262 < 0.85. So it is concluded that it is free of multicollinearity or passes the multicollinearity test.

Autocorrelation Test

The autocorrelation test in this test uses the Durbin-Watson test. Here are the results:

Table 5. Auto Correlation Test Results

Durbin-Watson stat	2.172610

Based on Table 5 above, it can be seen that the results of the Durbin Watson stat value are 2.17761, so the graph results above have no autocorrelation.

Heteroscedasticity Test

In this heteroscedasticity test, the Glejser test is employed. The methodology involves conducting a regression between the independent variables and their corresponding residual absolute values (ABS_RES). Here are the results:

Table 6. Heteroscedasticity Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.237320	0.139506	-1.701142	0.1273
GCG	0.018975	0.009062	2.093912	0.0696
ME	0.031286	0.022020	1.420774	0.1932
SIZE	0.000441	0.000352	1.250237	0.2465

Based on Table 6 above, it can be seen that the results of the probability value of the independent variable (> 0.05), then the residual variance is the same. Therefore there is heteroscedasticity or passes the heteroscedasticity test.

Multiple Regression Analysis with Panel Data

According to (Widarjono, 2018), to estimate model parameters with panel data, there are three techniques: Common Effect Model, Fixed Effect Model, and Random Effect Model. The following are three tests to select panel data estimation techniques, namely:

Chow test

If the probability value is below the significance level (0.05), the FEM model is preferred. Conversely, if the probability value is above the significance level (0.05), the CEM model is chosen.

Table 7. Chow test results

Effects Test	Statistic	d.f.	Prob.
Cross-section F	0.331494	(3,5)	0.8038
Cross-section Chi-square	2.176816	3	0.5365

According to the findings in Table 7, the Probability Value is 0.5365, which is greater than the significance level of 0.05. As a result, the Common Effect Model (CEM) is chosen.

Hausman test

The selection of the Random Effects Model (REM) occurs when the probability value exceeds the critical Chi-Squares value (0.05). In contrast, the Fixed Effects Model (FEM) is chosen if the probability value is lower than the significance level (0.05).

Table 8. Hausman Test Results

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	0.994481	3	0.8026

According to the findings presented in Table 8, since the probability value is 0.8026, which is greater than the significance level of 0.05, the Random Effect Model is chosen for the analysis.

Lagrange Multiplier Test

If the calculated LM value is below the critical Chi-Squares value (0.05), the preferred model is REM. On the other hand, if the computed LM value exceeds the critical Chi-Squares value (0.05), the CEM model is chosen.

Table 9. Lagrange Multiplier Test Results

Null (no rand. effect) Alternative	Cross-section One-sided	Period One-sided	Both
Breusch-Pagan	1.715464	1.189429	2.904893
	(0.1903)	(0.2754)	(0.0883)
Honda	-1.309757	-1.090610	-1.697315
	(0.9049)	(0.8623)	(0.9552)
King-Wu	-1.309757	-1.090610	-1.673146
	(0.9049)	(0.8623)	(0.9529)
GHM	--	--	0.000000
	--	--	(0.7500)

Based on the results in Table 9, the calculated LM value is 0.1903 > 0.05, so the Common Effect Model is selected.

Hypothesis test

This analysis determines the relationship between ISR and its independent variables. The following methods are used, namely:

Coefficient of Determination (Adjusted R^2)

Table 10. Test Results for the Coefficient of Determination

R-squared	0.585506	Mean dependent var	0.689394
Adjusted R-squared	0.430071	SD dependent var	0.095116

Table 10 presents an adjusted R Square value of 0.430071, indicating that the independent variable explains 43% of the variation in the dependent variable (ISR) of Go Public Islamic Banks at OJK. The remaining variation is influenced by other variables not included in this research model. However, the probability value (F-statistic) in Table 9 is 0.059314, exceeding the significance level of 0.05. As a result, it can be concluded that the collective impact of the independent variables on the dependent variable is not statistically significant.

t-test (partial)

Table 11. t-test results (partial)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-2.154079	1.010105	-2.132530	0.0655
GCG	0.278478	0.326808	0.852114	0.4189
ME	0.119160	0.083701	1.423626	0.1924
SIZE	0.085973	0.029992	2.866531	0.0209

Based on Table 11, it can be seen that only company size (SIZE) has a significant effect on ISR disclosure.

5. Discussion

Based on the results of this study, the results show a partially significant effect between the Company Size variable on Islamic Social Reporting (ISR). This finding aligns with research by Umiyati & Baiquni (2019) entitled Company Size, Profitability, and Leverage Against Islamic Social Reporting in Islamic Commercial Banks in Indonesia. Meanwhile, there is a partially insignificant influence between Good Corporate Governance and media exposure variables on Islamic Social Reporting (ISR). This result aligns with the research by Cahya et al. (2017) entitled Islamic Social Reporting: From the Perspectives of Corporate Governance Strength, Media Exposure and the Characteristics of Sharia-Based Companies in Indonesia and its Impact on Firm Value. Based on the findings, where there is a simultaneously insignificant effect between the Good Corporate Governance variables, the media exposure, and company size to Islamic Social Reporting (ISR).

6. Conclusion

Based on the results and discussion, company size significantly affects ISR in BUS Go Public. In contrast, Good Corporate Governance and media exposure do not significantly affect ISR. Simultaneously, there is no significant effect of good corporate governance, media exposure, and company size on Islamic Social Reporting (ISR) on BUS Go Public. This research is anticipated to offer significant theoretical insights concerning the disclosure of Islamic social responsibility. Moreover, it is expected to hold practical value by providing valuable input to policymakers and regulators who are involved with the Indonesia Stock Exchange.

Recommendation

Factors of Good Corporate Governance and media exposure need to get more attention, especially for Islamic banks and office holders, to be used as a consideration in determining policy. Because this is useful as a material for investor consideration in making investment decisions and halal investment options, and for stakeholders, it can be used as a financing decision and supports and expands the reach of Islamic Commercial Banks in the capital market.

Limitations and Avenues for future research

This research has limitations because the sample used only uses Sharia Commercial Banks registered with the OJK with a range of 2018-2020. a larger sample of Islamic banks is used will be complete. It will be complete if researchers use data analysis methods with other tests. The weaknesses of this study can be used as food for thought for further researchers by developing independent variables and analytical methods to strengthen research results.

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