

Determinants of Islamic Social Reporting in Islamic Banks

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Article information	ABSTRAK
Publication Date: June, 30 th 2024 Kata kunci: Islamic Social Reporting, Profitabilitas, Ukuran Perusahaan, Leverage, Likuiditas, Surat Berharga Syariah.	Penelitian ini bertujuan untuk mengetahui faktor-faktor yang mempengaruhi Islamic Social Reporting (ISR) Bank Umum Syariah (BUS) di Indonesia. Faktor-faktor yang diuji adalah profitabilitas, ukuran perusahaan, leverage, likuiditas, dan surat berharga syariah. Dalam upaya mengetahui faktor-faktor tersebut, peneliti menggunakan pendekatan kuantitatif terhadap sebelas BUS yang terdaftar di Otoritas Jasa Keuangan periode 2019-2022 dengan teknik purposive sampling saat pemilihan sampel. Data kesebelas BUS tersebut diperoleh dari laporan tahunan yang diunduh dari website resmi masing-masing BUS. Selanjutnya, data yang diperoleh dianalisis menggunakan regresi linier berganda berbantuan aplikasi Eviews 12 dengan tahapan uji statistic deskriptif, uji pemilihan model, uji asumsi klasik, dan uji hipotesis. Berdasarkan hasil analisis, hanya ada tiga variabel yang berpengaruh terhadap ISR yaitu profitabilitas, ukuran perusahaan, dan likuiditas. Arah pengaruhnya pun berbeda. Profitabilitas dan likuiditas berpengaruh negatif, sedangkan ukuran perusahaan berpengaruh positif. Sedangkan dua variabel yang lain yaitu leverage dan surat berharga syariah tidak berpengaruh terhadap ISR.
	ABSTRACT
Keywords: Islamic Social Reporting, Profitability, Company Size, Leverage, Liquidity, Sharia Securities.	The aim of this study is to determine the factors that influence the Islamic Social Reporting (ISR) of Islamic Banks in Indonesia. The factors tested are profitability, company size, leverage, liquidity, and Sharia securities. To identify these factors, the researcher employed a quantitative approach to eleven IB listed with the Financial Services Authority for the period 2019–2022, using the purposive sampling technique in sample selection. The data for these eleven BUS were obtained from annual reports downloaded from the official websites of each Islamic Bank. Subsequently, the obtained data were analyzed using multiple linear regression with the help of the Eviews 12 application, including the steps of a descriptive statistics test, a model selection test, a classical assumption test, and hypothesis testing. Based on the analysis results, only three variables influenced ISR, namely profitability, company size, and liquidity. The direction of the influence was also different. Profitability and liquidity had a negative influence, while company size had a positive influence. Meanwhile, the other two variables, leverage and Sharia securities, did not affect ISR.

Introduction

The standard for the use of Islamic Social Reporting (ISR) has been established by the Accounting and Auditing of Islamic Financial Institution (AAOIFI), an international Islamic regulatory institution, as a measure of Corporate Social Responsibility (CSR) in Islamic banking. Astuti (2019) stated that the issue of CSR began to emerge along with the need for Islamic banking to disclose social responsibility using the ISR index.

According to Dipika (2015), the rapid development of Islamic banking, which is known to be based on Islamic principles, should truly prioritize concern for others, making corporate

social responsibility (CSR) something that should be emphasized. This CSR arose from numerous criticisms conveyed by the public, the government, non-governmental organizations, and non-profit organizations regarding the social and environmental impacts arising from the operational activities of companies. Therefore, the desire to create Sharia-compliant social reporting, especially social reporting in Sharia-based companies or institutions, has also increased.

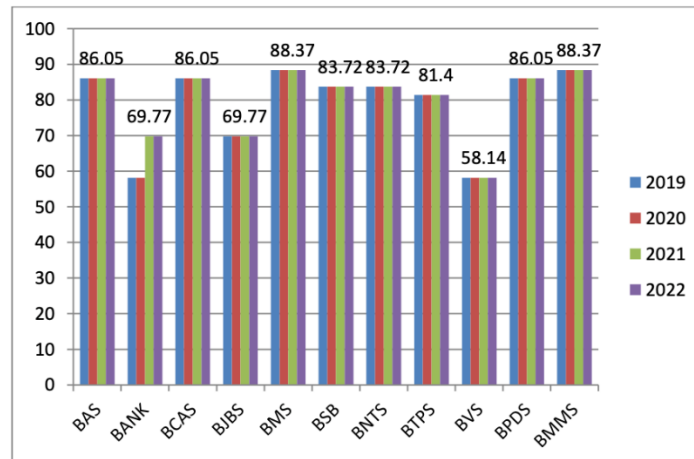


Figure 1 Development of ISR Level in Islamic Banks in Indonesia

The figure 1 above shows that the development of ISR levels varies for each bank. It can be seen that the ISR development at Bank Victoria Syariah (BVS) is considered slower because its disclosure value is still below that of other Islamic banks. However, the highest value recorded is only 88.37%, achieved by Bank Muamalat Syariah (BMMS) and Bank Mega Syariah (BMS). This indicates that the implementation and reporting of social responsibility in Islamic banks are still not optimal. This is in line with the statement by Marefsi et al., (2021) that the ISR index of Islamic banks is good, but no bank has achieved the maximum score of 100% because some ISR items are not disclosed properly. It is hoped that in the future, Islamic banks will fully disclose their responsibilities, as this reflects transparency in relation to the Islamic values applied by the banks.

The measurement of CSR disclosure in Islamic banking mostly refers to the Global Reporting Initiative Index (GRI Index). This measurement is certainly less appropriate because companies recognized as Islamic issuers and declared to comply with Islamic law should disclose information that proves the company operates according to Islamic law. The GRI Index does not yet reflect Islamic principles, such as not disclosing freedom from elements of usury (riba), uncertainty (gharar), and transactions prohibited by Islam. Conventional social responsibility reporting has limitations; thus, a conceptual framework for ISR was developed in accordance with Sharia provisions, which will assist in decision-making for Muslims and also the internal company to fulfill its obligations to Allah SWT, the environment, and society (Prihatiningtias et al., 2022).

ISR is a reporting framework necessary for Muslim stakeholders as a form of accountability to Allah, as well as to enhance transparency in business activities by providing relevant information that aligns with the spiritual needs of Muslim stakeholders. Since the inception of ISR, the hope has been to generate accounting concepts and practices in line with Islamic Sharia principles, thereby contributing to economic progress and fostering more honest and fair business practices and trade. The categories of ISR items include: funding and investment, products and services, employees, society, environment, and corporate governance (Nuraeni & Rini, 2019).

Companies have a moral obligation to stakeholders, commonly known as CSR. The practice and disclosure of CSR, which were initially voluntary, are now mandatory according to regulations stipulated in Law No. 40 of 2007 concerning limited liability companies. This law mandates that annual reports must include several pieces of information, including social and

environmental responsibility reports (Siddi et al., 2019). CSR reporting in Islam is known as ISR. ISR is a framework for reporting corporate social responsibility that aligns with Islamic principles and was first introduced by Haniffa (2002) through 'Social Reporting Disclosure: An Islamic Perspective,' and later developed by Othman et al. (2009).

The disclosure of social responsibility by Islamic banks using the ISR index in Indonesia is still slow compared to Islamic countries worldwide. Indonesia still lags behind Malaysia in ISR disclosure in the Islamic banking business sector. This is evident from the social performance of Islamic banks in Malaysia experiencing an increase of $\pm 9\%$, while the increase in social performance of Islamic banking in Indonesia is only about $\pm 8.5\%$ annually, and all Islamic banks in both Indonesia and Malaysia have not yet reached full disclosure (Riyanti & Barkhowa, 2021).

CSR in Islamic banks should prioritize the allocation of fund distribution using the principles of maqasid Shariah. Various strategic protectors must be tailored to the needs of society based on five aspects, namely: 1) protection of faith or religion (hifz-addin); 2) protection of human life (hifz-annafs); 3) protection of intellect or intelligence (hifz-al aql); 4) protection of wealth (hifz-al maal); and 5) protection of customers (hifz-annasl) (Finarti & Putra, 2015).

The first factor influencing ISR is profitability, which is a ratio to measure a company's ability to generate profit at the level of sales, assets, and shareholder equity. The positive relationship between profitability and broader social disclosure can be seen from the increasing profits obtained by a company, allowing it to be more capable of making broader social reporting (Karomah et al., 2019). The studies conducted by Anamah & Rusli (2020), Amyulianthy et al. (2020), and Pratama et al., (2018) indicated that profitability has a positive influence on ISR. However, Mais & Alawiyah (2020) stated that profitability has a negative influence on ISR. Furthermore, another study by Karomah et al. (2019), Tri & Pramono (2022), stated that profitability does not have an influence on ISR.

The second factor is the size of the company, which is a measure or scale that depicts the magnitude of the company based on criteria such as total assets, number of employees, market value, shares, total sales, total revenue, total capital, and others. Larger companies tend to require higher public demand for information, thus tending to create broader social responsibility (Arifin & Khoyimah, 2021). The research conducted by Nuraeni & Rini (2019), Putra & Aryanti (2021), and Amyulianthy et al., (2020) stated that company size has a positive influence on ISR. However, Azizah et al. (2022) stated that company size does not affect ISR. On the other hand, Hafas & Putra (2022) and Musdalifah et al. (2020) stated that company size has a negative influence on ISR.

The third factor is leverage, which is the ability of a company to repay debts, both short-term and long-term, to other parties. A company with debt exceeding its equity is referred to as having a high leverage level Pratama et al. (2018). The research conducted by Putra & Aryanti (2021), Pratama et al. (2018), and Riyanti & Barkhowa (2021) indicated that leverage has a positive influence on ISR. Whereas Aini et al. (2017) stated that leverage has a negative influence on ISR. In contrast, Sunarto et al., (2020) and Permatasari & Trisnawati (2018) suggested that leverage does not affect ISR.

The fourth factor is liquidity, which is the ability of a company to pay its short-term debts. The better the liquidity of a company, the healthier and less threatened by liquidity problems it will be. Therefore, companies tend to make social disclosures through annual reports Aziz et al. (2019). The research conducted by Aini et al. (2017), Maulina & Iqramuddin (2019), and Noista et al., (2022) indicated that liquidity has a positive influence on ISR. Meanwhile, Hafas & Putra (2022) and Rozzi & Bahjatullah (2020) stated that liquidity has a negative influence on ISR. However, unlike Azizah et al. (2022) and Aziz et al. (2019), who stated that liquidity does not affect ISR.

The fifth factor is Shariah Securities (SS), which are securities in the capital market issued by companies to raise funds, including sukuk, Shariah-compliant stocks, Shariah mutual funds, and other financial instruments. Companies that disclose ISR will attract public attention and strive to provide additional information about funding for activities in accordance with Shariah principles. Therefore, companies issuing more SS will broaden ISR (Marefsi et al., 2021).

The research conducted by Wulansari et al. (2017) and Musdalifah et al. (2020) indicated that SS has a positive influence on ISR. However, Marefsi et al. (2021) stated that SS has a negative influence on ISR. In contrast, Putra & Aryanti (2021) and Karomah et al. (2019) stated that SS does not affect ISR.

Ibrahim & Muthohar (2019) stated that social responsibility reporting aligned with Islamic principles is one form of corporate accountability from an Islamic perspective. Corporate social responsibility reporting in conventional systems only focuses on material and moral aspects. However, the spiritual aspect should be the primary focus in corporate social responsibility reporting, as Muslim decision-makers expect companies to voluntarily disclose value-based information to help fulfill their spiritual needs. Previous studies have shown inconsistent results, and their research objects were limited to specific sectors. This limitation makes it difficult to reevaluate the implementation of Islamic social reporting using profitability, company size, leverage, liquidity, and Shariah- securities as independent variables. This study utilizes data from the period 2019–2022.

The object used in this study is Islamic banks, based on their published annual reports. Because Islamic banks encompass information about all categories found in the Islamic social reporting index on social responsibility reporting, a specific framework for Islamic-based social responsibility reporting is needed. These principles are beneficial not only for Muslim decision-makers but also for Islamic companies in fulfilling their responsibilities to Allah Ta'ala and society.

Literature Review

The theory used in this research is the legitimacy theory. Legitimacy theory is a social contract between the entity and the community so that the company's goals can be achieved without any harm to either party. The benefits are felt not only by the company but also by the surrounding community (Permatasari & Trisnawati, 2018). According to legitimacy theory, companies are encouraged to disclose or reveal that their performance can be accepted by the community through annual financial reports (Arjanggie & Zulaikha, 2015). Legitimacy theory is employed in forming hypotheses. The hypotheses in this study consist of elements of profitability, company size, leverage, liquidity, and Sharia-compliant securities as independent variables, as well as Islamic social reporting as the dependent variable. The hypotheses formulated are based on previous theories and research.

The first independent variable is profitability. The ability of a company to generate high profits can expand the level of CSR. The higher the profitability level of a company, the more guaranteed the company's survival is. As the company's profitability increases, its social responsibility will also increase. CSR is a long-term strategic step that will have a positive effect on the company, so if the company experiences high profits, the need for information obtained is broad and can provide broader CSR to gain legitimacy and positive value from the community and stakeholders.

The better the company's image among stakeholders, the greater the expected profits obtained by the company and the larger the returns received by shareholders. The research results of Anamah & Rusli (2020), Amyulianthy et al. (2020), and Pratama et al. (2018) state that profitability has a positive effect on CSR. Therefore, the first hypothesis proposed is profitability has a positive effect on Islamic social reporting.

The second independent variable is company size. Larger companies usually engage in more activities, resulting in a greater impact on the environment and the need to provide information about corporate social activities to the community, involving a larger number of shareholders, and gaining more attention from the public. Therefore, larger companies will face greater pressure to disclose their social responsibilities. By demonstrating environmental concern through financial reporting, companies can, in the long term, avoid significant pressure from public demands and maintain corporate legitimacy. The research findings of Nuraeni & Rini, (2019), Putra & Aryanti (2021), and Amyulianthy et al. (2020) indicate that the size of the

company has a positive influence on ISR. Therefore, the second hypothesis proposed is company size has a positive effect on Islamic social reporting.

The third independent variable is leverage. Companies with high leverage levels are driven to enhance social information for external parties. The higher the company's leverage level, the lower its operational feasibility. However, companies can improve their financial viability related to the level of ISR to demonstrate to external parties that the company is capable of repaying its debts through asset management. Consistent with legitimacy theory, a large amount of revenue with minimal use of capital makes it easier to expand ISR. The research findings of Putra & Aryanti (2021), Pratama et al. (2018), and Riyanti & Barkhowa (2021) indicate that leverage has a positive effect on Islamic social reporting. Therefore, the third hypothesis proposed is leverage has a positive effect on Islamic social reporting.

The fourth independent variable is liquidity. Shareholders require all information available in the company's annual report to assess whether the company is in a healthy condition. One of the aspects evaluated is the liquidity level. Companies strive to improve their financial performance to gain public attention, including through liquidity, and to signal to other companies that they are in a secure condition, as disclosed through the company's social responsibility report. The greater the ratio of current assets to current liabilities, the greater the company's ability to meet its short-term obligations. The better the company's liquidity, the healthier it becomes and the more immune it is to bankruptcy threats, prompting the company to make social through the annual report to maintain its corporate legitimacy. The research results conducted by Maulina & Iqramuddin (2019) and Noista et al. (2022) indicate that liquidity has a positive effect on ISR. Therefore, the fourth hypothesis proposed is liquidity has a positive effect on Islamic social reporting.

The fifth independent variable is Sharia-compliant securities. Receiving recognition and attention from the community is one of the reasons why companies disclose their ISR effectively. According to legitimacy theory, companies will continuously strive to fully disclose their social activities to maintain their legitimacy. Additional information in the form of Sharia-compliant securities can help banks be more accepted by the public. Companies that disclose ISR will gain public attention and will endeavor to disclose additional information about funding for activities that adhere to Sharia principles; thus, companies issuing more Sharia-compliant securities will expand ISR further Marefsi et al. (2021). The study conducted by Wulansari et al. (2017) and Musdalifah et al. (2020) indicates that Sharia-compliant securities have a positive effect on ISR. Therefore, the fifth hypothesis proposed is Sharia-compliant securities have a positive effect on Islamic social reporting.

Method

This research employs a quantitative approach, focusing on testing theories through research variables with numerical data and conducting data analysis using statistical procedures. The results of this research constitute a causal study where the researcher aims to understand the influence of one or more factors in causing a particular issue. The primary objective of the causal study results is to identify cause-and-effect relationships among various variables (Sugiyono, 2014). The aim of this research is to determine whether profitability, company size, leverage, liquidity, and Sharia-compliant securities influence the dependent variable, namely Islamic Social Reporting (ISR). The research object is limited to Islamic banks in Indonesia, with data collected from 2019 to 2022.

The sampling method used in this research is purposive sampling, which is a technique for determining research samples based on certain considerations or criteria aimed at making the obtained data more representative (Sugiyono, 2014).

The criteria used in determining the sample are Islamic Banks in Indonesia registered with the Financial Services Authority during the research period from 2019 to 2022 and Sharia banks that issue annual financial reports (annual reports) and report social responsibilities in their annual reports during the research period from 2019 to 2022. With this technique, 11

Islamic Banks were selected and then observed for four periods, resulting in a total of 44 observational data points used in this study.

The data was obtained from financial reports downloaded from the official website of each Islamic Bank. Each financial report contains measures of profitability, company size, leverage, liquidity, Sharia compliance, and Islamic social reporting. To obtain the measurement of each variable, formulas derived from operational definitions are needed. Below are the definitions of each variable along with their measurements.

The first variable is profitability. Profitability is the company's ability to generate profit (Marefsi et al., 2021). Profitability is measured using the return on assets formula: net income divided by total assets. The second variable is company size. Company size is the magnitude of a company, which can be calculated using various methods. This study uses a total asset proxy obtained from the financial position statement at the end of the period in the company's annual report. Company size is measured by Ln total assets (Karomah et al., 2019).

The third variable is leverage. Leverage is used to measure how much a company relies on debt from external parties (Karomah et al., 2019). Leverage is measured by the Debt to Equity Ratio: total liabilities divided by total equity (Karomah et al., 2019). The fourth variable is liquidity. Liquidity is a ratio that indicates a company's ability to meet its short-term obligations, formulated as the ratio between total current assets and current liabilities (Arifin & Khoyimah, 2021). Liquidity is measured by the current ratio: current assets divided by current liabilities (Arifin & Khoyimah, 2021).

The fifth variable is sharia securities. Shariah securities are securities in the capital market issued by companies as a source of funding (Karomah et al., 2019). Sharia securities are measured by Each receives a value of 1 for ownership of Shariah shares, sukuk, and participation in Sharia mutual funds, with a minimum value of 0 and a maximum value of 3 (Karomah et al., 2019). The last variable is Islamic corporate reporting. Islamic social reporting (ISR) is a form of corporate accountability towards environmental and social aspects (Othman et al., 2009). ISR is measured by the amount of ISR information found in annual reports (number of ISR disclosures made/number of ISR disclosures expected) (Othman et al., 2009).

Result and Discussion

The data obtained from the annual reports were analyzed using multiple linear regression with the assistance of the Eviews 12 application. The steps included a descriptive statistics test, a model accuracy test, a classical assumption test, and a hypothesis test. The first step is the descriptive statistics test. The results of the descriptive statistics test can be seen in Table 1 below.

Table 1
Descriptive Statistics Test Results

	Islamic Social Reporting	Profitability	Company Size	Leverage	Liquidity	Sharia Secuties
Mean	0.795983	0.013859	30.18160	1.355237	30.79840	1.295455
Median	0.837209	0.008194	30.10035	1.147491	6.433662	1.000000
Maximum	0.883721	0.108023	33.01582	3.754258	1020.343	3.000000
Minimum	0.581395	- 0.055967	27.29642	0.062315	1.218220	0.000000
Std. Dev.	0.103502	0.031927	1.365716	1.064992	152.7634	1.069222
Skewness	-1.183566	0.898657	0.198902	0.772833	6.390002	0.313548
Kurtosis	2.900540	5.019648	3.168282	2.420171	41.89736	1.887412
Jarque-Bera	10.29088	13.40041	0.342039	4.996358	3073.277	2.990353
Probability	0.005826	0.001231	0.842805	0.082235	0.000000	0.224209
Sum	35.02326	0.609783	1327.991	59.63042	1355.130	57.00000
Sum Sq.Dev.	0.460642	0.043832	80.20280	48.77093	1003476.	49.15909
Observations	44	44	44	44	44	44

From Table 1, the descriptive data used in this study can be seen. Based on Table 1 above, it can be observed that the maximum value of ISR is 0.883721, profitability is 0.108023, company size is 33.01582, leverage is 3.754258, liquidity is 1020.343, and Sharia securities is 3.000000. Meanwhile, the minimum value of ISR is 0.581395, profitability is -0.055967, company size is 27.29642, leverage is 0.062315, liquidity is 1.218220, and Sharia securities is 0.000000.

The second stage is the model selection test. The model selection test in this study includes several tests: the Chow test, the Hausman test, and the Lagrange test. Based on the results of these tests, the appropriate regression model selected is the random effect model.

The third stage is the classical assumption test. The classical assumption test is conducted through several tests, including the normality test, the heteroscedasticity test, and the multicollinearity test. The first test is the normality test. The results of the normality test can be seen in the figure below.

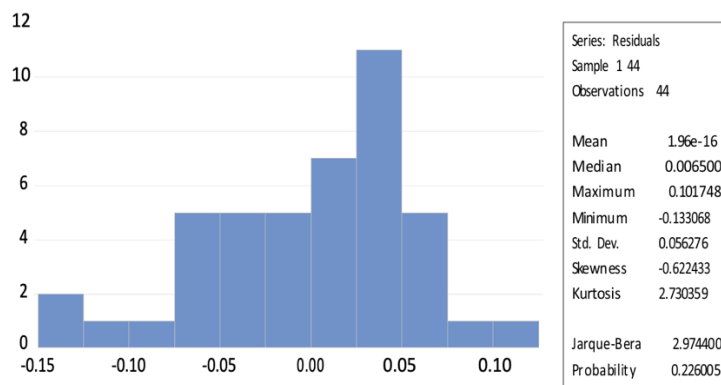


Figure 1 Normality Test Result
(Source: Output Eviews 12, 2023)

The results of the normality test indicate that the data used in this study are normally distributed. This can be seen from the probability value of 0.226005 which is greater than 0.05. Data is said to be normally distributed if the significance probability value is greater than 0.05 (Ghozali & Ratmono, 2017). The next test is heteroscedasticity test. The results of the heteroscedasticity test can be seen in the table below.

Table 2
Heteroscedasticity Test Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	9.579996	15.16603	0.631675	0.5327
Profitability	7.239848	6.106612	1.185575	0.2458
Company Size	-0.057774	0.502286	-0.115022	0.9092
Leverage	-0.002041	0.261826	-0.007795	0.9938
Liquidity	-0.028573	0.023242	-1.229364	0.2292
Sharia Securities	-0.617808	0.391233	-1.579133	0.1255

(Source: Output Eviews 12, 2023)

The table 2 above indicate that there is no heteroscedasticity problem in the data. Data is said to be free from heteroskedasticity if the probability value of each independent variable is greater than 0.05 (Ghozali & Ratmono, 2017).

Meanwhile, the results of the multicollinearity test indicate that there is no multicollinearity problem. The statement can be seen from the results of the multicollinearity test in Table 3 below.

Table 3

Multicollinearity Test Result

	Profitability	Company Size	Leverage	Liquidity	Sharia Securities
Profitability	1.000000	-0.013954	-0.252025	0.021069	0.265259
Company Size	-0.013954	1.000000	0.680184	-0.317159	0.124474
Leverage	-0.252025	0.680184	1.000000	-0.448717	-0.060778
Liquidity	0.021069	-0.317159	-0.448717	1.000000	0.009616
Sharia Securities	0.265259	0.124474	-0.060778	0.009616	1.000000

(Source: Output Eviews 12, 2023)

Based on Table 3, it can be seen that the correlation value between X1 and X2 is -0.013954. The correlation value between X1 and X3 is -0.252025. The correlation value between X1 and X4 is 0.021069. The correlation value between X1 and X5 is 0.265259. The correlation value between X2 and X3 is 0.680184. The correlation value between X2 and X4 is -0.317159. The correlation value between X2 and X5 is 0.124474. The correlation value between X3 and X4 is -0.448717. The correlation value between X3 and X5 is -0.060778. It can be seen that all data is less than 0.80 (<0.80). Therefore, it can be concluded that there is no multicollinearity problem.

Since the data have been tested and passed the normality test, the heteroscedasticity test, and the multicollinearity test, Therefore, the data used in this study pass the classical assumption tests.

The fourth stage is the hypothesis test. Hypothesis testing is conducted to determine whether the proposed hypothesis is accepted or rejected. The results of the hypothesis test can be seen in Table 4 below.

Table 4

T-Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.287456	0.142182	2.021744	0.0503
Profitability	-0.486293	0.054048	-8.997386	0.0000
Company Size	0.017234	0.004646	3.708976	0.0007
Leverage	-0.002543	0.002051	-1.239619	0.2227
Liquidity	-2.983705	7.191306	-4.145337	0.0002
Sharia Securities	-0.000391	0.003499	-0.111763	0.9116

(Source: Output Eviews 12, 2023)

Based on Table 4 above, it can be observed that the probability values of each variable vary. The probability values are examined to determine whether the variables have an effect. If the significance value is less than 0.05, then the independent variable affects the dependent variable. Conversely, if the significance value is greater than 0.05, then the independent variable does not affect the dependent variable (Ghozali & Ratmono, 2017).

Based on Table 2 above, the probability values below 0.05 are profitability, company size, and liquidity. Meanwhile, leverage and Sharia securities have values above 0.05. This means that the variables influencing ISR are only profitability, company size, and liquidity. Meanwhile, leverage and Sharia securities do not affect ISR.

For variables that have an effect, it can be seen from the direction of the influence, whether positive or negative, in the coefficient column. If the number in the coefficient column is positive, then it has a positive effect. Conversely, if the number in the coefficient column is negative, then it has a negative effect. The coefficient values for profitability and liquidity are negative, namely -0.486293 for profitability and -2.983705 for liquidity. Thus, both variables have a negative effect on ISR. While the coefficient value of company size is positive, which is 0.017234. This means that the company size has a positive effect on ISR. More details regarding the acceptance or rejection of the hypothesis can be seen in the following table.

Table 5
Summary of Hypothesis Testing Results

Hypotheses	Results	Meaning
H1: Profitability has a positive effect on Islamic social reporting.	Profitability has a negative effect on Islamic social reporting.	The hypothesis is rejected
H2: Company size has a positive effect on Islamic social reporting.	Company size has a positive effect on Islamic social reporting.	The hypothesis is accepted
H3: Leverage has a positive effect on Islamic social reporting.	Leverage has no effect on Islamic social reporting.	The hypothesis is rejected
H4: Liquidity has a positive effect on Islamic social reporting.	Liquidity has a negative effect on Islamic social reporting.	The hypothesis is rejected
H5: Sharia securities have a positive effect on Islamic social reporting.	Sharia securities have no effect on Islamic social reporting.	The hypothesis is rejected

From all of these results, only one hypothesis is accepted. Meanwhile, the other four hypotheses are rejected. The first hypothesis stating that profitability has a positive and significant influence on ISR is rejected. According to Kalbuana et al. (2019), this research result is attributed to the fact that when companies experience low profits or losses, they tend to carry out their social responsibilities more extensively. This is because companies aim to maintain their legitimacy in the eyes of the public and demonstrate that the company's condition is still stable. Conversely, companies with high profitability are not always active in social activities because their main focus is on profit maximization. They believe that with high profits, the company's legitimacy is already sufficiently maintained without the need for broader social responsibilities. These research findings are consistent with a study conducted by Mais & Alawiyah (2020), where their findings indicate that profitability has a negative and insignificant influence on ISR.

The second hypothesis, which states that firm size (size) has a positive and significant influence on ISR, is confirmed. The research findings indicate that larger companies will have more shareholders, and diverse shareholders will demand more diverse information publicly from the company. Because the majority of shareholders of Islamic banks are diverse and, in Islamic teachings, there are obligations regarding corporate social responsibility, shareholders also demand information about corporate social responsibility. In addition to this, larger companies usually have a sufficient reputation, and to maintain this reputation, companies are capable of expressing their social responsibility through social activities carried out by the company (Nuraeni & Rini, 2019).

The social activities carried out by companies are disclosed through ISR. Hence, larger companies will have larger ISR. Consistent with previous findings, by disclosing environmental sustainability through financial reporting, companies in the long run can avoid significant consequences resulting from societal demands and can ensure the sustainability of the company's legitimacy (Amyulianthy et al., 2020). These research findings align with studies conducted by Nuraeni & Rini (2019), Putra & Aryanti (2021), and Amyulianthy et al. (2020), where their research results indicate that firm size has a positive and significant influence on ISR.

The third hypothesis, which states that leverage (DER) has a positive and significant influence on ISR, is rejected. "The lack of influence of leverage on ISR is due to the fact that funds obtained by the company from debt are not only used by the company to optimize profits but also partly allocated to enhance the company's image in the eyes of the public in the form of social responsibility. Thus, whether the leverage level is high or low, it will not affect ISR in the company. This means that the amount of debt does not necessarily impact the extent of social performance in Islamic banking (Sunarto et al., 2020).

This contradicts findings stating that higher income levels, coupled with capital utilization, make it easier to expand ISR. These research findings align with studies conducted by

Sunarto et al. (2020) and Permatasari & Trisnawati (2018), where their research results indicate that leverage does not significantly affect ISR.

The fourth hypothesis, which states that liquidity (CR) has a positive and significant influence on ISR, is rejected. According to Rozzi & Bahjatullah (2020), higher liquidity values do not correspond to higher ISR; instead, they lead to lower levels of ISR. This is because nowadays, companies are more focused on financial performance alone, prioritizing the repayment of short-term debts for operations rather than incurring additional costs for social and environmental activities. This is done to demonstrate that the company has a high debt-paying ability.

This contradicts findings suggesting that higher liquidity levels make companies healthier and less vulnerable to bankruptcy threats, prompting them to consistently make social disclosures through annual reports to maintain corporate legitimacy. These research findings align with studies conducted by Azizah et al. (2022) and Aziz et al. (2019), where their research results indicate that liquidity does not significantly affect ISR."

The fifth hypothesis, which states that the Sharia securities have a positive and significant influence on ISR, is rejected. One factor contributing to the insignificance of Islamic bonds on ISR is the varying level of adoption of Islamic banks in Indonesia that utilize Islamic bonds as one of their funding sources. Hence, the awareness among banks issuing Sharia securities and those not issuing Sharia securities do not differ significantly regarding fulfilling social responsibilities in line with Islamic principles (Putra & Aryanti, 2021).

Therefore, it can be concluded that the magnitude of Islamic bond issuance does not affect Islamic banks disclosure of ISR. In other words, reporting social responsibility has become obligatory regardless of whether companies issue Islamic bonds, sukuk, Islamic stocks, or other forms of bonds. This contradicts findings suggesting that companies will consistently engage in social disclosure to maintain corporate legitimacy, so those issuing more Islamic bonds will have broader ISR. These research findings align with studies conducted by Putra & Aryanti (2021) and Karomah et al. (2019), indicating that Islamic bonds do not significantly affect ISR.

Conclusion

This research is built upon phenomena, theories, and previous research findings. Its hypotheses are also constructed based on these three aspects. The hope is that the research results align with the hypotheses built through logical reasoning. However, the reality turns out to be different. In this study, there are five factors or variables suspected of influencing Islamic Social Reporting (ISR). However, it turns out that not all of these factors are able to influence ISR.

Based on the analysis results, only three variables influenced ISR, namely profitability, company size, and liquidity. The direction of the influence was also different. Profitability and liquidity had a negative influence, while company size had a positive influence. The other two variables, leverage and Sharia securities, did not affect ISR.

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