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Analysis of Factors Affecting Disclosure Level of Islamic Social Reporting

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Abstract: This study aims to determine and analyze the effect of firm size, profitability, leverage, liquidity and independent commissioner on islamic social reporting in companies that are members of the Jakarta Islamic Index in the 2016-2020 period. Sampling was carried out using a purposive sampling technique based on the criteria determined by the researcher, so the number of samples in this study were 134 companies. The data analysis technique used is multiple regression analysis, classical assumption test, and hypothesis testing using SPSS version 25. The research results provide empirical evidence that firm size has an effect on islamic social reporting, while profitability, leverage, liquidity and independent commissioner have no effect on islamic social reporting.

Keywords: Firm size, profitability, leverage, liquidity, independent commissioner, islamic social reporting

1. Introduction

Corporate Social Responsibility (CSR) is a company or business world's commitment to contribute to sustainable economic development by taking into account corporate social responsibility which focuses on a balance between attention to economic, social and environmental aspects (Hendrik, 2008). This is supported by the existence of government regulations regarding the disclosure of CSR practices in Law no. 40/2007 concerning Limited Liability Companies which confirms that financial reports must report the implementation of social and environmental responsibility.

CSR activities are important for companies to show their commitment to society, including in Islamic organizations. CSR according to Sharia Compliance Companies (SCC) is expected to have religious content to be demonstrated and affirm the company's commitment to Islamic principles (Othman, 2010). Now the concept of CSR is not only used in the conventional economy but has also developed into a sharia-based economy with the application of Islamic Social Reporting (ISR).

ISR was first initiated by Haniffa (2002) and further developed by Othman et al. (2009) in Malaysia. Haniffa (2002) developed a model used to measure the social responsibility disclosure of Islamic-based institutions including banks. ISR is proposed as an Islamic conceptual framework to fill the gaps in conventional social reporting related to spiritual considerations. The aim is to benefit Muslims and companies in making decisions and fulfilling obligations to God and society.

ISR is a benchmark for the implementation of sharia banking social responsibility which contains a compilation of CSR standard items set by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). The social disclosure index for Islamic entities (ISR) reveals matters related to Islamic principles such as transactions that are free from elements of usury, speculation and gharar, as well as disclosing zakat, sharia compliance status and social aspects such as sodaqoh, waqof, qordulhasan to disclosure of worship in the corporate environment (Sulistyawati et al, 2017).

Research on the factors that influence ISR disclosure provides empirical evidence that ISR disclosure is very important in looking at the extent of the responsibility of these companies in carrying out financial reports. The factors that influence ISR disclosure in this study are company size, profitability, leverage, liquidity, and an independent board of commissioners.

The size of the company (size) in question is the size of the company as measured by the total value of the company's assets. Total assets are the total resources owned by the company, so that a large company will definitely need a lot of total assets (resources) to carry out its business activities. The larger the size of the company, the wider the social and environmental disclosures made by the company.

Research by Setiawan et al. (2016), Othman et al. (2009) and Qoyum, et al. (2017) proved that company size has an effect on the level of ISR disclosure. This is because the larger the size of the company, the more stakeholders who influence or are affected by the company's business activities. So, larger companies will tend to make social responsibility disclosures more extensively than smaller companies.

Profitability is the ability of a company to generate profits or profits (profit) in an effort to increase shareholder value. The existence of high profits generated by the company will certainly have an impact on attracting potential investors. Therefore, the company's efforts to provide better information to the public and potential investors, is to increase the disclosure of social responsibility. In this case the company is required to provide disclosure of the profits used in the framework of what activities, which of course has a positive value for the company. Research by Widiyanti, et al (2017). Cahya (2017), Anggraini (2015) provide empirical evidence that profitability affects the level of ISR disclosure.

Leverage is a ratio related to measuring how far the company is financed by debt. If the company's financial leverage level is high which indicates that the company's financial risk is also high, investors will ask for a high profit level as well. When the company's condition suffers a loss or when the company's profits are not too high, investors will be faced with the risk of decreasing their level of welfare because the company must pay off its obligations to creditors first. The results of research conducted by Santoso (2018) and Anggraini (2015) reveal that leverage has an effect on ISR disclosure.

Liquidity is the company's ability to meet its short-term obligations. The liquidity ratio shows that the higher the current ratio, the greater the company's ability to pay its various bills. The existence of the results of liquidity calculations in the company's annual report will affect the extent of ISR disclosure as a form of responsibility for fulfilling company obligations which is one of the important factors in the implementation of company evaluations by interested parties such as creditors, investors and local governments. Research by Widiyanti (2017) and Astuti (2014)proves that liquidity has a significant effect on ISR disclosure.

The board of commissioners is the number of members of the board of commissioners in a company. The board of commissioners is considered to be the ultimate internal control mechanism responsible for monitoring the actions of top management. The existence of a board of commissioners influences ISR disclosure which will provide control over the social performance that occurs within the company. Research from Othman et al. (2009), Anggraini (2015) proved that the board of commissioners has a significant effect on ISR disclosure.

This research is a development of several studies that have been carried out with differences from previous research, namely this research using companies registered on JII. Based on the previously disclosed studies, there is debate regarding the determinants of ISR disclosure, which has not yet reached a consensus point because it still shows mixed and inconsistent results. Based on this research gap, this research is motivated to re-examine the factors that influence the level of ISR disclosure of companies listed on the Jakarta Islamic Index (JII) in 2016-2020. This study will focus on several factors on ISR reporting, namely company size, profitability, leverage, liquidity, and an independent board of commissioners.

2. Literature Review and Hypothesis Development

2.1 Stakeholder Theory

Stakeholder theory provides a reference basis for linkage between companies and stakeholders. Stakeholders are all parties, both internal and external, who have a relationship either influencing or being influenced, directly or indirectly by the company. Stakeholders are a group or an individual who can affect, or be affected by, the success or failure of an organization (Hadi, 2010).

Understanding of the needs and desires of stakeholders becomes the focus of management because they are involved directly or indirectly in the activities and policies that are carried out and that will be taken by a company. ISR reporting is expected to be a wish from stakeholders that can be accommodated so as to produce a harmonious relationship between the company and its stakeholders where the company will voluntarily disclose the ISR to the public and the public will ultimately place high trust in the company to manage its funds.

This theory is one of the theories underlying social disclosure. This theory describes the ISR factor in this study, the stakeholder theory states that company operations are not only for the benefit of the company itself, but also for the benefit of other parties such as the community. It is hoped that through this theory, company management will include moral values in every planning and decision-making related to its business acivities.

2.2 Agency Theory

The theory of legitimacy provides a basic framework for thinking about the importance of stakeholder legitimacy for companies in the basic framework for thinking about the importance of stakeholder legitimacy for companies in order to maintain the company's going concern. Legitimacy is a psychological state of alignment with people and groups of people who are very sensitive to the symptoms of the surrounding environment, both physical and non-physical. For this reason, legitimacy changes in line with shifts in space and time coordinates (Hadi, 2010)

Hadi (2010) many parties have the opportunity to put pressure on companies, such as legislators, green groups, communities due to negative externalities including incongruence in societal norms. Because they are social agents who have direct or indirect links to the company (stakeholders). Bankers, market forces, employees, and stakeholders are no exception and also have interests and seek to protect their interests from claims by all parties. For this reason, when a company's operations are not in accordance with the environment, it can trigger a protest reaction from the environment, so they will exert pressure.

Stakeholder legitimacy is very important for the company considering that stakeholder legitimacy has an important role in supporting company goals. The legitimacy gap will have a great potential for stakeholder claims or protests against the company. This has an impact on the existence of the company, because it can disrupt operational stability and end in profitability. Efforts that can be taken by the company is to make a social contract (social contract) between the company and the stakeholders.

The theory of legitimacy is one of the theories that underlies the disclosure of ISR. In this study, legitimacy theory can be used to explain the relationship between firm size, profitability, leverage, liquidity, board of commissioners and ISR disclosure. The relationship between legitimacy theory and ISR is that this theory implies that corporate responsibility, in this study ISR was carried out with the hope of getting recognition from the public.

Companies use their annual reports to give a positive impression of environmental responsibility, so that they can be accepted by society. The company or organization will continue to exist if the community realizes that the organization or company operates for a value system that is equivalent to the community's own value system. This theory recommends companies or organizations to ensure that their activities and performance are well received by society.

2.3 Disclosure Theory

The term disclosure in accounting refers to the presentation and disclosure of the company's financial statements (Raditya, 2012). Disclosure can be linked to two aspects, namely data and financial reports (Amurwani, 2006). Raditya (2012) revealed that there are three concepts in disclosure. These three disclosure concepts are related to the answer to the question of how much information should be disclosed. These concepts include:

Adequate disclosure, sufficient disclosure is the minimum disclosure that must be met so that the financial statements as a whole are not misleading for the benefit of decision making.Fair disclosure, fair disclosure is disclosure that must be achieved so that all parties receive the same information. Full disclosure Full disclosure requires full presentation and disclosure of all information relevant to decision making. Appropriate disclosure of information that is important to investors and other users of financial statements must be presented in an adequate, fair and full manner. There is no visible and real difference between the three concepts if they are used in the right context.

2.4 Islamic social reporting

Sharia social reporting or ISR is still voluntary, so the Corporate Social Responsibility (CSR) reporting of each Islamic company is not the same. This unequal reporting is due to the absence of sharia standards regarding sharia CSR reporting. The concept of CSR is starting to develop in the Islamic economy, this is evident from the fact that more and more companies are implementing sharia principles in all of their business activities.

ISR is a sharia-based reporting standard that is in accordance with Islamic principles which aims to see the company's social performance. The sharia concepts and principles contained in the ISR are capable of producing various aspects, such as moral, spiritual and material aspects. That is the main focus of ISR on reporting corporate social activities. ISR has two main objectives, the first is as a means of accountability to Allah Subhanahuwa Ta'ala and also aims to increase the transparency of business activities by providing relevant information in meeting the spiritual needs of Muslim corporate report users.

2.5 Firm size

Firm size is a classification of the size of a company that is proxied by total assets because it is considered more able to reflect the condition of the company. Bigger companies do more activities that cause a bigger impact. This is in accordance with legitimacy theory, where large companies tend to have more activities and may have a greater impact on the people in their surrounding environment so that there is more pressure to be more transparent in disclosing the ISR of the surrounding community.

The larger the size of the firm, the more information available to investors in making decisions related to investing in the firm. Previous research has proven that the level of corporate disclosure will increase along with the increasing size of the company.

The size of the firm (size) in question is the size of the firm as measured by the total value of the company's assets. Total assets are the total resources owned by the firm, so that a large firm will definitely need a lot of total assets (resources) to carry out its business activities. The larger the size of the firm, the wider the social and environmental disclosures made by the firm.

Research by Setiawan et al. (2016), Othman et al. (2009) and Qoyum et al. (2017) proved that company size has an effect on the level of ISR disclosure. Based on the description above, the hypothesis is formulated as follows:
H1: Firm size has an effect on ISR

2.6 Profitability

Profitability is the ability of a company to earn profit or gain (profit) as an effort to increase shareholder value. Companies that have higher profit levels will attract investors, with the company's efforts to provide better information to the public and potential investors, namely by increasing ISR disclosure. This is possible because the company is required to provide disclosure of profits used for any activities carried out by the company that have a positive value to the company.

The link between profitability and ISR disclosure is that the greater the profits that companies earn, they try to grab the attention of the wider community by providing and supporting positive activities in accordance with applicable principles and norms, so that with high profits, companies are motivated to disclose a broader ISR.

The company's effort to provide better information to the public and potential investors is by increasing the disclosure of its social responsibility. That when the rate of return is high,managers are motivated to disclose detailed information to support the continuation of their positions and compensation. In this case the company is required to provide disclosure of the profits used in the framework of what activities, which of course has a positive value for the company.

Research by Widiyanti, et al (2017). Cahya (2017), Anggraini (2015), Sunaryo (2016), Othman et al., (2009) provide empirical evidence that profitability affects the level of ISR disclosure. Based on the description above, the hypothesis is formulated as follows:
H2: Profitability has an effect on ISR disclosure

2.7 leverage

Financial leverage is a measure in which a company finances its activities using borrowed capital and bears a fixed burden that aims to increase earnings per share. Financial leverage is a ratio to measure how well the company's capital structure is. This ratio relates to the debt owned by a company to creditors.

Companies that have a high level of leverage mean that they have greater debt than capital. Creditors who provide loans to companies will see the profits earned by these companies. If the company's level of financial leverage is high which indicates that the company's financial risk is also high, investors will also ask for a high level of profit. When the company's condition suffers a loss or when the company's profits are not too high, investors will be faced with the risk of decreasing their level of welfare because the company must pay off its obligations to creditors first.

The management of a company with a high level of leverage will reduce the disclosure of its social responsibility so that it does not become a spotlight for debt holders. With a high level of leverage, it will have implications for conditions where the company can be considered to have violated the debt contract. To avoid this, managers will try to save the company's financial condition by reducing costs, including costs for socially responsible disclosure.

The results of research conducted by Santoso (2018), Anggraini (2015), Sulistyowati et al (2017), and Afrista (2020) revealed that leverage has an effect on ISR disclosure. Based on the description above, the hypothesis is formulated as follows:
H3: Leverage has an effect on ISR disclosure

2.8 Liquidity

Liquidity is the company's ability to meet its short-term obligations. The liquidity ratio shows that the higher the current ratio, the greater the company's ability to pay its various bills. Liquidity is an important factor in the evaluation of companies by interested parties, such as creditors, investors and the local government. Legitimacy theory causes companies to try to improve financial performance in order to get public attention. The financial performance shown by the strong liquidity ratio of a company is closely related to the extent of disclosure of social responsibility.

Based on the opinion of previous researchers, liquidity has an effect on ISR disclosure. Companies tend to disclose information widely in their social responsibility reports regarding their ability to maintain business continuity and fulfill financial obligations until the due date. The existence of the results of liquidity calculations in the company's annual report will affect the extent of ISR disclosure as a form of responsibility for fulfilling company obligations which is one of the important factors in the implementation of company evaluations by interested parties such as creditors, investors and local governments.

Liquidity has a close relationship with capital structure and company value. If the relationship between liquidity and firm value is positive, then this implies that the higher the company's liquidity value, the higher the firm value, thus motivating the company to expand ISR disclosure in meeting the information needs of the public.

Research by Astuti (2014) and Widiyanti (2017) provides empirical evidence that liquidity affects ISR disclosure. This is because the higher the level of liquidity owned by the company, the company has a greater incentive to expand ISR disclosure.

Based on the description above, the hypothesis is formulated as follows:
H4: Liquidity has an effect on ISR disclosure

2.9 Independen Commissioner.

Independent commissioners are members of the board of commissioners who are not affiliated with or not affiliated with the directors, other members of the board of commissioners and controlling shareholders, and can influence and act in the interests of the company. The independent board of commissioners is considered the supreme internal control mechanism responsible for monitoring the actions of top management. The existence of a board of commissioners influences ISR disclosure which will provide control over the social performance that occurs within the company.

Shareholders will delegate their authority to the board of commissioners with the aim of being able to monitor company management activities. The larger the size of the board of commissioners, the more effective the company's monitoring activities will be. Good monitoring is expected to expand ISR disclosure in meeting the information needs of the community.

The existence of a board of commissioners can affect ISR disclosure which will provide control over the social performance that occurs within the company. the shareholders will delegate their authority to the board of commissioners with the aim of being able to monitor the activities of the company's management. The more members of the board of commissioners, the more effective monitoring activities carried out by the company so that it is expected to expand ISR disclosure in meeting the information needs of the community.

Research Sulistyawati, et al. (2017) and Khoirudin (2013), Anggraini (2015), Othman et al. (2009) that the board of commissioners has an effect on ISR disclosure. Consistent with research by Santoso (2018), Dewi (2013), and Anggraini (2015) which provide empirical evidence that board size has an effect on ISR disclosure.

Based on the description above, the hypothesis is formulated as follows:
H5: The board of independent commissioners has an effect on ISR disclosure

3. Research Method

3.1 Population and Sample

This research is a quantitative research, namely research by processing research data using statistics. This study tested the hypothesis using statistical analysis methods with multiple linear regression analysis using the SPSS application. The population in this study were 51 companies listed on the Jakarta Islamic Index (JII) listed in the IDX Announcement Appendix No.: Peng-00301/BEI.OPP/05-2016 dated May 27 2016 for the period June to November 2016 to IDX No. Peng-00355/BEI.POP/11-2020 November 26 2020 in the period December 2020 to May 2021.

Table 1 Sample Acquisition Result

No.	Information	Number of Samples
1.	Companies registered on JII in 2016-2020	150
2.	Companies that were not listed for two semesters during 2016-2020	(16)
3.	Companies that do not issue annual reports	-
	Total units of analysis for five years	134

Source: Data Analysis Results, 2023

3.2 Research Indicators

Table 2 Research Indicators

Variable	Indicators	Source
Company Size	Firm Size = logN Total Assets et	Elzahar, (2012)

Profitability	$\text{Return on Equity} = \frac{\text{Laba Bersih Sesudah Pajak}}{\text{Ekuitas Pemegang Saham}}$	Kusumawati, (2018)
Leverage	$\text{Debt to Equity Ratio} = \frac{\text{Total Liabilities}}{\text{Total Equity}}$	Kasmir, (2019)
Liquidity	$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$	Van Horne, (2009)
Independent Commissioner	$\text{Komisaris Independen} = \frac{\text{Jumlah Anggota Komisaris Independen}}{\text{Total Anggota Dewan Komisaris}}$	Lestari, (2013)
Islamic Social Reporting	$\text{Disclosure Level} = \frac{\text{Jumlah Skor Disclosure yang Dipenuhi}}{\text{Jumlah Skor Maksimum}}$	Haniffa, (2002)

3.3 Data Analysis Techniques

In this study, in testing the hypothesis using multiple linear regression analysis. The multiple linear regression analysis method uses an equation by connecting the independent variables with the dependent variable.

$$ISR = -0.284\alpha + 0.048SIZE + 0.056ROE + 0.014DER + 0.002CR - 0.009CI + e$$

4. Result and Discussion

4.1 Descriptive Statistical Analysis

Table 3 Statistical Analysis Test Result

Variable	N	Minimum	Maximum	Means	std. Dev
Company Size	134	15,25	19.68	17.4685	0.98368
Profitability	134	-0.18	1.45	0.1809	0.27416
leverage	134	0.15	3,31	1.0729	0.79655
Liquidity	134	0.28	11.09	2.1124	1.43303
Independent Commissioner	134	0.20	0.83	0.4017	0.12367
ISR	134	0.09	0.77	0.5786	0.10747
Valid N (listwise)	134				

Source: Data Analysis Results, 2023

Based on the results of the descriptive statistical test, it shows that the amount of data analyzed in this study during the 2016-2020 period was 134 samples. The company size of the 134 samples has a minimum value of 15.25 owned by the Mitra Keluarga Karyahealth Tbk (MIKA) company in 2016. The maximum value is 19.69 for the Astra Internasional Tbk (ASII) company in 2019. The standard deviation value is 0.98368 and the average value of firm size is 17.4689. The average value of firm size is 17.46%. These results indicate that companies listed on JII for the 2016-2020 period have an average total asset of IDR 10,751,198,297,635.00.

Profitability proxied by Return on Equity (ROE) has a minimum value of -0.18 by the company XL Axiata Tbk (EXCL) in 2018. The maximum value is 1.45 owned by the company Unilever Indonesia Tbk. (UNVR) in 2020. The standard deviation value is 0.27416 and the average profitability value proxied by return on equity (ROE) is 0.1809. The standard deviation value that is greater than the average value of profitability indicates high fluctuations in profitability during the study period. The company's ability to generate net profit is 18.09% of total equity. The higher the ROE of an entity, it can be interpreted that the entity is increasingly capable of generating profits.

Leverage proxied by the debt to equity ratio (DER) has a minimum value of 0.15 which is owned by the company Vale Indonesia Tbk (INCO) in 2020. The maximum value is 3.31 for the company Waskita Karya (Persero) Tbk. (WSKT) in 2018. The standard deviation value is 0.79655 and the average leverage value proxied by changes in DER for companies registered on JII during the 2016-2020 period is 1.0729. The standard deviation value is smaller than the average leverage value indicating low fluctuation of leverage during the study period. The company's ability to settle all of its obligations is 107.29% of equity. Every one rupiah of total equity is used to guarantee a total debt of 1.0729 rupiah. The ratio of sources of funds in companies between liabilities and equity is 1.0729: 1, which means that on average companies listed on JII for the 2016-2020 period have good ability to pay debts.

Liquidity has a minimum value of 0.28 for Jasa Marga (Persero) Tbk. (JSMR) in 2020. The maximum value of 11.09 is owned by the Mitra Keluarga Karyasehat Tbk company. 2016. The standard deviation value is 1.43303 and the average liquidity value is 2.1124. This shows that the low fluctuation of the current ratio (CR) during the study period, and the average company has a good asset capability in financing short-term debt of 211.24%.

Independent commissioners have a minimum value of 0.20 for the company Vale Indonesia Tbk. (INCO) in 2020. The maximum value is 0.83 which is owned by the company Lippo Karawaci Tbk. (LPKR) in 2016. The standard deviation value is 0.12367 and the average value of the independent Commissioners is 0.4017. The standard deviation value which is smaller than the average value of the independent commissioners indicates the low fluctuation of the independent commissioners during the study period. The average proportion of independent company commissioners registered on JII for 2016-2020 is quite good, namely 40.17%.

ISR has a maximum value of 0.77 which is owned by the company Wijaya Karya (Persero) Tbk. (WIKA) in 2020. The minimum value is 0.09 for PP London Sumatra Indonesia (LSIP) in 2016. The standard deviation value is 0.10747 and the average ISR disclosure value is 0.5786. This can be interpreted that the average ISR value for companies registered on JII during the 2016-2020 period was 57.86%, which means that the average ISR disclosed was 25 items out of a total of 43 items that needed to be disclosed.

4.2 Classical Assumption Test Results

The results of the classical assumption test are that the data meet the classical assumptions, have normal data, are free of multicollinearity, free of heteroscedasticity, and have no autocorrelation.

4.3 Discussion

Table 4 Multiple Linear Regression Analysis Test Results

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	T	Sig.
1	(Constant)	-.284	.181		-1.570	.119
	Ukuran Perusahaan	.048	.010	.439	4.775	.000
	Profitabilitas	.056	.042	.144	1.347	.180
	Leverage	.014	.013	.107	1.099	.274
	Liquidity	002	008	.021	.204	.839
	Independent Commissioner	-.009	086	-.010	-.102	.919
	Adjusted R^2			0.173		
	F			0.000		

Source: Data Analysis Results, 2023

The test results show that the significance value of F is less than 0.05 (0.000 <0.05), so it can be concluded that the multiple regression model meets the requirements and can be said to be a fit regression model. Adjusted R Square value is 0.173 or 17.3%. This shows that the variables company size, profitability, leverage, liquidity, and independent commissioners can explain the variation in the dependent variable, namely ISR disclosure of 0.173 or 17.3%. While the remaining 82.7% is explained by variables other than explanatory variables or independent variables outside this research model.

Based on the results of the multiple linear regression analysis test, the findings of the influence between the independent variables and the dependent variable are obtained by following the following provisions:

The results of calculations between the company size variable and the Islamic social reporting variable have a significance value of 0.000 which is smaller than 0.05, then **H1accepted** .Company size affects the disclosure of Islamic social reporting (ISR) indicating that company size will affect a company in disclosing ISR in its annual reporting. This shows that there is a positive relationship between company size and ISR disclosure. The greater the assets of a company, the more ISR items are disclosed.

Large companies provide a lot of non-accounting information in their reporting. This information is used by the company to attract more investors. Generally, with these conditions, companies will show that companies with large assets have good social responsibility in their annual reports. So that the larger the size of the company, the greater the ISR disclosure.

Companies that have large assets will make it easier for companies to carry out social activities. In addition, it is also easier for companies with large assets to provide public facilities and infrastructure that reflect the social responsibility of a company. The more social activities and the construction of public facilities and infrastructure, the more ISR can be disclosed in the annual report. This study provides empirical evidence that company size has an effect on ISR disclosure in companies listed on JII in 2016-2020. The results of this study are consistent with the research of Setiawan, et al. (2016), Qoyum et al. (2017), and Nuraeni (2019) which prove that company size has an effect on ISR disclosure.

The results of calculations between the profitability variable and the Islamic social reporting variable have a significance value of 0.180 which is smaller than 0.05, then **H1rejected** .Profitability has no effect on ISR disclosure because profitability as measured by return on equity (ROE) has no impact on companies reporting social responsibility. Return on equity (ROE) only explains how much the return on equity is to shareholders, so companies do not need to disclose ISR to maintain or even increase profitability. With or without disclosing the company's ISR, it can still increase its profitability.

The profitability of a company is considered capable of influencing investors' policies on the investments they make to provide returns that are in accordance with the company's capabilities. Meanwhile, ISR is considered to be the need of shareholders, especially Muslim shareholders. So that companies will benefit more if they focus on profitability by disclosing financial information that shows the condition of companies that are able to increase profitability so as to attract investors rather than disclosing ISR.

Companies with high profits do not necessarily carry out many social activities. This is because the company is more profit-oriented. Meanwhile, disclosing the ISR requires the awareness of each company because it is still voluntary disclosure without considering profit or loss. As a result companies may choose not to disclose their ISR. This study provides empirical evidence that profitability has no effect on ISR disclosure in companies listed on JII in 2016-2020. The results of this study are consistent with research by Lestari (2016) and Othman et al. (2009) which provides empirical evidence that profitability has no effect on ISR disclosure.

The calculation results between the leverage variable and the Islamic social reporting variable have a significance value of 0.274 which is smaller than 0.05, then **H1rejected** .Leverage has no effect on ISR disclosure. This is due to the small debt that must be paid by the company against its equity. In general, corporate debt will be used to finance the development of the company. So it doesn't affect how often the company holds social activities, because the financing does not come from debt.

The level of leverage at the company indicates the level of risk of uncollectible debt of shareholders in the company, thus affecting investor confidence. In addition, companies with high leverage will be more careful in providing information to the public so as not to be in the spotlight of stakeholders. The company will continue to disclose the ISR even though the company's leverage management is bad so that the company's reputation and honor are maintained by continuing to carry out social responsibility.

In general, to convince investors, the company focuses more on the success that must be achieved rather than carrying out many activities outside of operations so that the company can fulfill its obligations to repay its business debts. However, to legally fulfill social responsibility, companies must organize social activities. So that the level of leverage will not affect the ISR disclosure because it is part of the company's obligations.

Leverage of a company is something that the company strives for so that the company's financial performance looks good in the eyes of investors and creditors. While disclosure of ISR is part of corporate social responsibility which is legally obligatory in which there are several activities that are in accordance with sharia. So that the high or low leverage will not affect the ISR disclosure.

This study provides empirical evidence that leverage has no effect on ISR disclosure in companies listed on JII in 2016-2020. Research is in accordance with Eksandy (2018) which shows the results that leverage does not affect the extent of sharia social responsibility disclosure. Likewise with research conducted by Sulistyawati (2017) which shows the results that leverage has no significant effect on ISR.

The calculation results between the liquidity variable and the Islamic social reporting variable have a significance value of 0.839 which is smaller than 0.05, then **H1rejected** .Liquidity has no effect on the disclosure of Islamic social reporting (ISR). Liquidity as measured by the current ratio (CR) shows that the higher the current ratio, the greater the company's ability to pay its various bills. This can make investors put their trust in a company. Compared to mandatory disclosure of ISR as corporate social responsibility, companies pay more attention to liquidity to attract investors and creditors. So that high or low liquidity will not reduce or increase ISR disclosure.

The company will not experience losses by reducing or increasing ISR disclosures. So that ISR will still be disclosed even though liquidity is high or low. This is because even reducing disclosure will not benefit the company, so it is better to keep disclosing ISR consistently according to what the company does.

The liquidity of a company is something that the company strives for so that the company's financial performance looks good in the eyes of investors and creditors. While disclosure of ISR is part of corporate social responsibility which is legally obligatory and includes several activities that are in accordance with sharia. So that high or low liquidity will not affect ISR disclosure. This study provides empirical evidence that liquidity has no effect on the disclosure of Islamic social reporting (ISR) in companies listed on JII in 2016-2020. The results of this study are consistent with the studies of Lestari (2016) and Asyhari (2016) which yield results that liquidity has no effect on ISR disclosure.

The results of calculations between the independent commissioner variable and the Islamic social reporting variable have a significance value of 0.919 which is smaller than 0.05, then **H1rejected** .The board of independent commissioners has no effect on ISR disclosure. This is because the proportion of independent commissioners is more utilized by companies to optimize management in improving company management. The independent board of commissioners has a supervisory function over management and ensures the company's compliance with applicable law, including disclosure of social responsibility required by law. However, to direct management to comply with sharia principles is the company's choice by involving the sharia supervisory board. So that the proportion of independent commissioners will not increase or decrease the ISR disclosure of a company

The independent board of commissioners only needs to ensure the required social responsibility disclosuresby law. Meanwhile, many social activities or company management will be directed by sharia or not, depending on the company's own policies. So that the disclosure of a company's social responsibility includes disclosure of ISR or not, it cannot be ascertained through the proportion of an independent board of commissioners.

The independent board of commissioners is directly elected by the shareholders at the general meeting of shareholders (GMS). This shows that the composition of the independent board of commissioners is more directed so that the activities carried out by the company's management do not harm the shareholders. So the focus is on optimizing management effectiveness and minimizing fraud such as asset misuse, transaction manipulation, and others. Therefore, the proportion of independent commissioners does not necessarily influence management to make ISR disclosures. This study provides empirical evidence that an independent board of commissioners has no effect on ISR disclosure in companies listed on JII in 2016-2020. The results of this study are consistent with that of Mokoginta et al. (2018) which states that independent commissioners have no effect on ISR.

5. Conclusion

A. Conclusion

This study aims to empirically examine the effect of company size, profitability, *leverage*, liquidity, board of commissioners on *Islamic social reporting* (ISR) disclosures in companies listed on *the Jakarta Islamic Index* (JII) in 2016-2020. Based on the results of the tests that have been carried out, it can be concluded as follows:

1. Company size affects disclosure of ISR, size of company size affects disclosureISR . The larger the size of a company, the wider the disclosure of *Islamic ISR.* Conversely, the smaller the company size, the smaller or narrower the disclosure of ISR.
2. Profitability has no effect on ISR disclosure, high or low profitability ratios have no effect on ISR disclosure.
3. *Leverage* has no effect on ISR disclosure, the high or low of a company's *leverage ratio* has no effect on ISR disclosure.
4. Liquidity has no effect on ISR disclosure, high or low liquidity ratioa company has no effect on ISR disclosure.
5. Independent commissioners have no effect on ISR disclosures, the size of the proportion of independent commissioners has no effect on ISR disclosures.

B. Limitations

Based on the test results obtained in the previous chapter, there are several limitations, namely:

1. This research was only conducted in the scope of companies registered on *the Jakarta Islamic Index* (JII) for the fiveyear period 2016-2020, where each year there are only 30 companies registered and the companies listed consecutively are only a few so that the amount of data used is also less.
2. The test results for the coefficient of determination (*Adjust R square*) show that the dependent variable explains the variation in the dependent variable, namely *Islamic social reporting* (ISR).of 0.173 or 17.3% while the remaining 82.7% is explained by other variables not included in this study

C. Suggestion

Based on the conclusions and limitations of this study, the researchers provide the following suggestions:

1. **For regulators**

   Disclosure of ISR can be used as a reference for making social responsibility reporting standards for companies, where so far ISR disclosure in annual reports still refers to conventional standards.

2. **For companies**

For companies to adopt policies to increase ISR disclosure through *annual reports* or other communication media. Disclosure of ISR is an effort to increase *stakeholder trust* where the majority of Indonesia's population is Muslim.

3. **For further researchers.**
   a. This study uses a sample of companies listed on *the Jakarta Islamic Index* (JII) in the 2016-2020 period. For further researchers, they can expand the object of research based on the IDX-IC classification of companies listed on the Indonesia Stock Exchange. In addition, researchers can extend the study period, for example seven years so that the results can better describe long-term conditions and provide more accurate results.
   b. Further research can pay attention to other variables that also affect *Islamic social reporting* (ISR), for examplecompany age, environmental performance, type of industry, awards, managerial ownership. or institutional ownership.

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