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Determination of Islamic social responsibility disclosure in Indonesian sharia commercial banks

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ARTICLE INFO	ABSTRACT
	This study aims to analyze the influence of financial performance, as represented by Return on Assets and Return on Equity, Financing to Deposit Ratio, Islamic Corporate Governance, and bank size, on Islamic Social Reporting disclosure (ISR) in Sharia Commercial Banks in Indonesia. This study employs a regression analysis of static panel data from eight Islamic commercial banks during the 2019-2023 period. The bank size has a significant positive influence on ISR. The FDR variable also showed a positive impact. In contrast, ROA, ROE, and ICG have not been shown to have a significant influence on ISR. These findings suggest that ISR disclosure is driven more by the visibility and availability of resources than by financial performance or formal governance alone. The implications of this study underscore the importance of regulators in promoting ISR transparency, particularly in large banks, as well as the need for Islamic banks to integrate ISR more strategically and comprehensively.

Introduction

Islamic banking has grown rapidly, both globally and in Indonesia, making Indonesia one of the countries with great potential in the development of Islamic finance (Hartanto et al., 2024; Nugraheni, 2018). Its operational foundation is not only profit-oriented but also based on sharia principles to achieve falah and maslahah for society (Arman et al., 2021; Kachkar & Yilmaz, 2023). Therefore, Islamic banking has a dual role, namely commercial and social functions. The social function is realized through enhancing financial inclusion and economic empowerment, which are reflected in the transparency of Islamic Social Reporting (ISR) disclosure (Hussain et al., 2021; Jihadi et al., 2021; Kautsar, 2023). ISR disclosure serves as an important indicator in assessing Islamic banks' commitment to their ethical and social objectives.

The concept of social responsibility in Islam is strongly rooted in the teachings of the Qur'an and Hadith, which emphasize dual responsibilities: vertically to Allah (habl min Allah) and horizontally to fellow human beings and the environment (habl min al-nas) (Arman et al., 2021; Muhammad & Ahmad, 2018). This principle forms the philosophical foundation for all sharia-based business entities, including Islamic Commercial Banks (ICBs), to not only pursue financial profit but also contribute to public welfare. ISR disclosure is defined as a form of social and ethical accountability of Sharia companies (Muhammad & Ahmad, 2018; Permatasari & Tubastuvi, 2024). Unlike conventional Corporate Social Responsibility (CSR), ISR has a scope that is more integrated with Islamic teachings and reporting standards as stipulated by AAOIFI (Nugraheni, 2018; Susbiyani et al., 2023).

Nevertheless, ISR disclosure in Islamic Commercial Banks in Indonesia still shows variation and has not yet reached an optimal level (Muhammad & Ahmad, 2018; Wijayanti & Setiawan, 2022). This phenomenon may reduce stakeholders' trust, such as customers and investors, in the integrity and social commitment of ICBs (Sarea & Salami, 2021; Susbiyani et al., 2023). The lack of transparency also hinders accurate evaluation of ICB's social performance (Al-Homaidi et al., 2020; Elgattani & Hussainey, 2021). Theoretically, the financial performance of Islamic banks is closely related to ISR disclosure.

Legitimacy Theory and Stakeholder Theory suggest that ISR disclosure is a tool to achieve social legitimacy and meet stakeholder expectations. Meanwhile, Signal Theory implies that strong financial performance encourages banks to disclose more of their social practices, indicating long-term stability (Susbiyani et al., 2023).

Table 1. Financial Performance 2021-2024

Year	ROA			NPF		
	All	SCB	SBU	All	SCB	SBU
2021	2.00	2.19	2.05	2.59	2.55	2.55
2022	2.00	2.14	2.23	2.35	2.23	2.23
2023	2.07	2.15	1.97	2.08	2.08	2.18
2024	1.97	2.17	1.71	2.15	2.15	2.29

Based on financial performance data for Sharia Commercial Banks and Sharia Business Units from 2021 to 2024, Islamic banking in Indonesia shows relatively stable profitability in the range of 2%. Sharia Commercial Banks appear to be superior in asset efficiency. However, the Return on Assets (ROA) in Sharia Business Units has decreased significantly to 1.71% in 2024, indicating profitability pressures. Meanwhile, the overall quality of assets (Non-Performing Financing) improved from 2021 to 2023. However, in 2024, the NPF will increase slightly to reach 2.15% combined, with the UUS NPF likely to be higher and rise to 2.29%. Although in general the NPF is still within normal limits (below 5%), the increase in NPF and the decrease in ROA in UUS indicate potential problems that need attention. This condition highlights the importance of implementing good and Islamic *corporate governance* to ensure effective risk management and prudent decision-making. In addition, the challenges of asset quality have also made Islamic social reporting relevant. This aims to increase the transparency and accountability of Islamic banks to stakeholders.

Empirical research on the relationship between financial performance and ISR disclosure shows mixed results. Several studies consistently find a positive relationship, indicating that banks with good financial performance tend to have higher levels of ISR disclosure (Kusumasari et al., 2023; Nugraheni, 2018). However, other studies show inconsistent, even negative, results, which may be due to methodology, research period, or specific characteristics of Islamic banking in different countries (Ben Abdallah & Bahloul, 2023; Deviani & Kusuma, 2019; Hussain et al., 2021). This phenomenon demonstrates the complexity of variable interrelationships and serves as motivation for further research.

Islamic Corporate Governance (ICG) is corporate governance based on Sharia principles to ensure compliance with Islamic law (Hanif & Haron, 2022). ICG is tied to theories such as Legitimacy Theory, which states that good governance increases public trust (Nurkhin et al., 2019). In the Sharia context, Agency Theory is expanded to include the relationship with Allah as the Majority Shareholder, demanding higher accountability (Hudayati et al., 2023). The role of the Sharia Supervisory Board (DPS) is crucial in ICG, as it is responsible for ensuring that all bank operations comply with Sharia principles (Kachkar & Yilmaz, 2023; Minaryanti et al., 2024; Nugraheni, 2018).

A strong ICG structure, characterized by the independence of the DPS and adequate meeting frequency, is expected to enhance supervision of the social aspects of Islamic banks and encourage management to be more responsive to ethical demands (Hanif & Haron, 2022; Wijayanti & Setiawan, 2022). This, in turn, is reflected in the improved quality and quantity of Islamic Social Reporting (ISR) disclosure. Previous empirical studies have shown consistent findings regarding the positive relationship between ICG and ISR disclosure, although some studies also found inconsistencies depending on the ICG indicators used and the specific bank context (Ben Abdallah & Bahloul, 2023; Hussain et al., 2021).

Firm size is also often theoretically linked to the level of ISR disclosure in Islamic Commercial Banks (ICBs). Based on Legitimacy Theory, large firms have higher public visibility, thus facing greater stakeholder pressure to disclose social information in order to maintain their reputation (Muhammad & Ahmad, 2018; Sarea & Salami, 2021). In addition, Resource Dependence Theory states that large firms tend to have more resources to invest in social activities and to prepare comprehensive reports (Al-Homaidi et al., 2020; Kuat et al., 2020). Although empirical studies show mixed results, many studies find a positive and significant relationship, namely that larger ICBs tend to have higher levels of ISR disclosure (Deviani & Kusuma, 2019; Maulana & Violita, 2021; Susbiyani et al., 2023).

This underlines the importance of this study, which aims to analyze the simultaneous influence of financial performance, ICG, and firm size on ISR disclosure in ICBs in Indonesia using static panel data, in order to address the inconsistencies of previous findings (Hartanto et al., 2024; Wijayanti & Setiawan, 2022).

Literature Review

Islamic Social Reporting (ISR)

Islamic Social Reporting (ISR) is a form of social and ethical accountability of companies, particularly Islamic banking institutions, aimed at demonstrating their commitment to Sharia principles (Muhammad & Ahmad, 2018; Permatasari & Tubastuvi, 2024). Unlike conventional Corporate Social Responsibility (CSR), ISR has a broader scope and value orientation that is more integrated with Islamic teachings, including reporting standards set by AAOIFI (Nugraheni, 2018; Susbiyani et al., 2023). This indicates that Islamic banks play a dual role, not only as commercial institutions focused on profit but also as entities that carry social functions to achieve falah and maslahah for society (Arman et al., 2021). Therefore, transparency in ISR disclosure becomes an important indicator in assessing the commitment of Islamic banks to their ethical and social objectives, which aim to enhance financial inclusion and economic empowerment (Hussain et al., 2021; Jihadi et al., 2021; Kautsar, 2023).

ISR disclosure is rooted in Islamic teachings that emphasize the concept of dual responsibility: vertical accountability to Allah (habl min Allah) and horizontal accountability to fellow humans and the environment (habl min al-nas) (Arman et al., 2021; Muhammad & Ahmad, 2018). This principle forms the philosophical foundation for Islamic banks to not only pursue financial gain but also contribute to public welfare. Transparent and accountable disclosure reflects the commitment of Islamic banks to Islamic ethical and justice values in every aspect of their operations (Hussain et al., 2021; Sarea & Salami, 2021). In Indonesia, ISR disclosure shows significant variation and remains suboptimal, with tendencies toward general and less detailed disclosure, making it difficult for stakeholders to fully understand the social impact of banks (Deviani & Kusuma, 2019; Nugraheni, 2018).

Financial Performance

Theoretically, a bank's financial performance is closely related to ISR disclosure, which can be explained through several theories. Legitimacy Theory states that companies, including Islamic banks, strive to align their actions with societal values to maintain existence and public acceptance (Muhammad & Ahmad, 2018). Therefore, ISR disclosure becomes an important tool to achieve social legitimacy. Meanwhile, Stakeholder Theory emphasizes that companies are accountable to various parties affected by their activities, encouraging Islamic banks to be transparent in meeting social and ethical expectations (Sarea & Salami, 2021). Furthermore, Signal Theory implies that superior financial performance can serve as a positive signal that motivates banks to disclose more of their social practices, indicating long-term stability and commitment (Elgattani & Hussainey, 2021; Susbiyani et al., 2023).

Nevertheless, empirical studies on the relationship between financial performance—represented by ROA (Return on Assets) and ROE (Return on Equity)—and ISR disclosure show mixed findings. Some studies find a positive relationship, indicating that highly profitable banks tend to have better ISR disclosure (Kusumasari et al., 2023; Nugraheni, 2018). This argument is supported by the assumption that strong financial capacity enables greater resource allocation for social activities and reporting (Susbiyani et al., 2023). On the other hand, some studies report inconsistent, insignificant, or even negative results between financial performance and ISR disclosure (Ben Abdallah & Bahloul, 2023; Deviani & Kusuma, 2019; Hussain et al., 2021). These differences may be attributed to various factors, including methodology and bank characteristics across countries.

In addition to ROA and ROE, the Financing to Deposit Ratio (FDR) is also an important indicator used to measure the financial performance of Islamic banks, as it specifically reflects the efficiency of fund distribution. This ratio is often used to assess how efficiently banks manage customer funds for financing (Al-Romaihi & Kumar, 2025; Ayimah et al., 2025). In the context of ISR, FDR can also reflect a bank's commitment to its social role in driving the real economy. Banks with optimal FDR demonstrate active intermediation functions, which align with Sharia objectives. Several studies find that FDR has a significant and positive influence on ISR disclosure, indicating that banks are more active in financing

tend to be more transparent in reporting their social activities (Al-Homaidi et al., 2020; Elgattani & Hussainey, 2021).

Islamic Corporate Governance (ICG)

Islamic Corporate Governance (ICG) refers to corporate governance based on Sharia principles to ensure compliance with Islamic law in all aspects of Islamic bank operations (Hanif & Haron, 2022). ICG plays a vital role in ensuring that banks are not solely profit-oriented but also achieve the ethical and social objectives prescribed in Islam. ICG is linked to various theories, such as Legitimacy Theory, which asserts that sound governance enhances public trust and acceptance (Nurkhin et al., 2019). In the Sharia context, Agency Theory is extended to include not only the relationship between management and shareholders but also accountability to Allah as the Majority Shareholder, demanding a higher level of accountability (Hudayati et al., 2023). The Sharia Supervisory Board (DPS) plays a crucial role in ICG, with the primary responsibility of ensuring that bank products and operations comply with Sharia principles (Kachkar & Yilmaz, 2023; Minaryanti et al., 2024; Nugraheni, 2018).

A strong and effective ICG structure, characterized by DPS independence and sufficient meeting frequency, is expected to significantly enhance supervision of Islamic banks' social aspects (Kachkar & Yilmaz, 2023; Nurkhin et al., 2019). Effective ICG can encourage management to be more responsive to Islamic ethical and social demands, which in turn is reflected in the improved quality and quantity of Islamic Social Reporting disclosure (Hanif & Haron, 2022; Wijayanti & Setiawan, 2022). Management commitment supported by sound sharia governance ensures adequate resource allocation for social activities and encourages transparency in reporting (Elgattani & Hussainey, 2021; Puspitasari et al., 2023). Although most studies find a positive relationship between ICG and ISR disclosure, some also report inconsistent findings, depending on the ICG indicators used and the specific context of banks (Ben Abdallah & Bahloul, 2023; Hussain et al., 2021).

Firm Size

Firm size is often considered one of the most influential factors in the level of Islamic Social Reporting (ISR) disclosure in Islamic banks. Theoretically, this relationship is based on Legitimacy Theory, which argues that larger companies have higher public visibility and therefore face greater pressure from stakeholders to disclose social information in order to maintain their reputation (Muhammad & Ahmad, 2018; Sarea & Salami, 2021). Moreover, Agency Theory is also relevant because larger firm size may exacerbate agency problems, encouraging management to use social disclosure as a tool to reduce information asymmetry (Ben Abdallah & Bahloul, 2023). Furthermore, Resource Dependence Theory suggests that larger companies tend to have more financial and human resources to invest in social activities and prepare comprehensive reports (Al-Homaidi et al., 2020; Kuat et al., 2020).

Empirical research on the relationship between firm size and ISR disclosure largely shows consistent and positive results. Many studies find that larger Islamic banks tend to have higher levels of ISR disclosure (Deviani & Kusuma, 2019; Maulana & Violita, 2021; Susbiyani et al., 2023). These findings support the notion that firm size is a major driver in enhancing Islamic banks' social disclosure commitment, as they have greater capacity and pressure to do so. Although some studies report inconsistent results, such as insignificant or negative relationships, the predominance of positive findings indicates that firm size is often a key determinant in improving social disclosure (Hussain et al., 2021; Khansa & Violita, 2021).

Method

This study employs a quantitative approach, utilizing panel data regression analysis to examine the impact of independent variables on dependent variables. The type of data used in this research is panel data, which combines time series data (2019–2023) with cross-sectional data (8 Islamic Commercial Banks) (Al-Romaihi & Kumar, 2025; Ben Abdallah & Bahloul, 2023). The research data were obtained from the annual reports and sustainability reports of eight Islamic Commercial Banks registered with the Financial Services Authority (OJK). The banks included in the sample are: (1) PT Bank Muamalat Indonesia, (2) PT Bank Syariah Bukopin, (3) PT BTPN Syariah, (4) PT Bank Victoria Syariah, (5) PT BCA Syariah, (6) PT Bank Mega Syariah, (7) PT Bank Jabar Banten Syariah, and (8) PT Bank Aceh Syariah.

The use of annual data was chosen because the financial statements and sustainability reports containing Islamic Social Reporting (ISR) information are published annually. This makes annual data the most relevant and comprehensive for analyzing the variables under study. Table 2 presents the operational definition of variables.

Table 2. Variable Operational Definition

Variable	Definition	Measurement
Dependent Variable		
ISR	The ISR Index is measured by *the content analysis* method using 32 items derived from several indicators (Funding & Investment, Products & Services, Employees, Society, Environment, and Governance).	%
Independent Variable		
ROA	Profit before tax / Total Assets.	%
ROE	Profit before tax / Total Equity	%
FDR	Total financing / Total thirty fund.	%
ICG	A self-assessment score that indicates the level of governance compliance	%
Size	Total assets.	Natural logarithm

The data analysis in this study will use a static panel data regression model. The first stage is to select the best regression model among the three main approaches, namely Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM) (Al-Romaihi & Kumar, 2025; Susbiyani et al., 2023). Selecting the right model is essential to produce efficient and unbiased estimates. The second stage is to test the hypothesis using the best model that has been selected through a series of tests, such as the F-test, the t-test, and the Coefficient of Determination (R^2) to measure how much an independent variable can explain the dependent variable (Ayimah et al., 2025; Hussain et al., 2021).

The process of static panel data regression analysis begins by comparing three main regression models to determine the most appropriate model. The first model, the Common Effect Model (CEM), assumes that the time sequence data and the cross-data have the same characteristics, so that the estimation can be done using the Ordinary Least Squares (OLS) method (Al-Romaihi & Kumar, 2025). Furthermore, the Fixed Effect Model (FEM) allows each entity (bank) to have unique characteristics that can affect dependent variables, which are captured through a different intercept for each entity (Ben Abdallah & Bahloul, 2023). The third model, the Random Effect Model (REM), assumes that variations between entities come from random term errors (Hussain et al., 2021). Once the three models were estimated, a series of statistical tests was conducted to select the best model.

To determine the best model, three main tests were performed. First, the Chow Test was conducted to compare CEM and FEM (Ayimah et al., 2025). If the test results show that H0 is rejected, then FEM is more appropriate. Second, the Hausman Test is used to choose between FEM and REM. This test evaluates whether there is a correlation between the error term and the independent variable (Al-Romaihi & Kumar, 2025). If the test results show that H0 is rejected, then FEM is more efficient. Finally, if the Chow Test selects CEM and the Hausman Test selects REM, then the Lagrange Multiplier (LM) Test is used as the final determinant between CEM and REM. The results of this series of tests will show the most appropriate panel data regression model to be used in analyzing the influence of variables in this study. The regression model used in this study to analyze the influence of independent variables on Islamic Social Reporting (ISR) disclosure is as follows:

$$ISR_{it} = \beta_0 + \beta_1 ROA_{it-1} + \beta_2 ROE_{it} + \beta_3 FDR_{it} + \beta_4 ICG_{it} + \beta_5 LnSIZE_{it} + e_{it} \qquad (1)$$

ISR is the level of disclosure of Islamic Social Reporting bank i in the period t. ROA is the return on assets of a bank. ROE is the return on equity of a bank. FD is the financing-to-deposit ratio of a bank. ICG is a variable of Islamic Corporate Governance bank i in period t. LnSIZE is the bank size.

Results and Discussion

Before conducting a regression analysis of the panel data, the first step is to conduct a descriptive statistical test to provide a concise overview of the basic characteristics and data distribution of each

research variable, namely Islamic Social Reporting (ISR) as a dependent variable, as well as Return on Asset (ROA), Return on Equity (ROE), Financing to Deposit Ratio (FDR), Islamic Corporate Governance (ICG), and Company Size (Size) as independent variables. This analysis includes mean values, maximum values (highest values), minimum values (lowest values), and standard deviations (data dissemination rates) to inform central values, ranges, and data variation rates. The summary results of this descriptive statistical test are presented in Table 3.

Table 3. Descriptive Statistics

Variable	Obs.	Average	SD	Min	Max
ISR	40	74.700	844.044	51.00	88.00
ROA	40	125.475	1.910	-5.48	6.34
ROE	40	2.461	5.352	-23.6	13.22
FDR	40	84.616	2.345	38.33	196.73
ICG	40	3.350	0.735	2.00	4.00
SIZE	40	980.825	1.382	7.41	12.73

Source: data processed

Based on descriptive statistical analysis, the data of the research panel, consisting of 40 observations, had varied characteristics. The dependent variable of Islamic Social Reporting (ISR) has an average value of 74.7, with a minimum value of 51 and a maximum value of 88, as well as a standard deviation of 8.44, indicating that the level of ISR disclosure is, on average, quite high with moderate variation between banks. For independent variables, the ROA averaged 1.25 with a wide range from -5.48 to 6.34, indicating that the bank was experiencing losses. Similar is seen in the ROE with an average of 2.46 and a very wide range from -23.6 to 13.22, reflecting significant fluctuations in profitability performance. The FDR variable showed an average of 84.62 with a standard deviation of 23.46 and a very large range from 38.33 to 196.73, indicating a substantial difference in the level of liquidity between banks. Meanwhile, ICG has an average of 3.35 with little variation, indicated by a standard deviation of 0.74 and a range of 2 to 4, which indicates that the level of interbank sharia governance is relatively homogeneous. Finally, the Company Size variable, which is measured by the natural logarithm of assets, has an average value of 9.81 and a standard deviation of 1.38, reflecting the difference in asset size that is quite diverse among the bank sample.

After understanding the basic characteristics of the data, the next stage is to estimate the regression of the panel data. Table 4 is the estimated results of the three models, namely the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM), which will be the basis for the model selection test.

Table 4. CEM, FEM & REM Estimation Results

Variable	CEM		FEM		REM	
	Coeff	Prob	Coeff	Prob	Coeff	Prob
ROA	-0.967	0.338	0.000	1.000	-0.431	0.684
ROE	0.603	0.130	0.181	0.559	0.303	0.304
FDR	0.049	0.214	0.070	0.053	0.061	0.060
ICG	-1.153	0.401	-1.043	0.716	-0.657	0.773
SIZE	4.522	0.000	1.495	0.002	6.301	0.000
CONS.	2.983	0.004	-7.484	0.089	975.302	0.602
R-squared	0.647		0.421		0.352	
F-statistic	12.460		3.920		21.000	
Prob	0.000		0.008		0.001	

Source: data processed

After estimating the three Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM) regression models, the next important step is to analyze the results of the model selection test. This analysis involves the Chow Test, the Hausman Test, and the Lagrange Multiplier (LM) Test, which will determine the best and most efficient model to use in this study. The results of the model selection test are presented in full in Table 5.

Table 5. Panel Model Selection Test

Model Selection Test	Statistic	Prob
Chow	8.80	0.0000
Hausman	4.86	0.4335
Lagrange Multiplier	21.30	0.0000

Source: data processed

Based on the Chow Test, the probability value of 0.0000 (less than 0.05) indicates that the Fixed Effect model is more appropriate than the Common Effect model. However, in choosing between the Fixed Effect and Random Effect models, the Hausman Test serves as the main determinant. The Hausman Test result shows a probability value of 0.4335, which is greater than 0.05. According to the testing rules, this value indicates that the null hypothesis (H_0) is accepted, where H_0 states that the Random Effect model is the most appropriate. Therefore, based on the Hausman Test results, the Random Effect model is the best and most suitable model for panel data analysis in this study.

Based on the results of the Random Effect Model estimation test in Table 4, several important things can be concluded regarding the influence of variables on dependent variables (ISR). The R-squared value of 0.352 indicates that about 35.20% of the variation in the dependent variable can be explained by the independent variables in the model. This indicates that the model has sufficient explanatory capabilities, although there is still about 64.80% variation that cannot be explained by the included variables. An F-statistic value of 21 with a probability (Prob(F-stat)) of 0.001 indicates that this regression model is overall significant in explaining the dependent variable. This probability is much smaller than 0.01. In other words, there is at least one independent variable that has a significant influence on the dependent variable.

Specifically, the estimated results show that some variables have a significant effect, while others do not (Table 6). The size variable has a probability value (Prob) of 0.000, which is below the significance threshold of 1%. This means that the size variable has a significant positive effect on the ISR variable. In addition, the FDR variable has a probability of 0.060. This probability is less than the 10% threshold. This means that the FDR variable has a significant positive effect on the ISR variable. In contrast, the variables ROA, ROE, and ICG have a probability value of 0.684, 0.304, and 0.773. Because the probability values are above the 1% specification level, it can be concluded that ROA, ROE, and ICG do not have a significant influence on the ISR variables.

Table 6. Findings of REM

Variable	Coeff	Prob	Alpha	Conclusion
ROA	-0.431	0.684	0.10	Not Significant
ROE	0.303	0.304	0.10	Not Significant
FDR	0.061	0.060	0.10	Significant
ICG	-0.657	0.773	0.10	Not Significant
SIZE	6.301	0.000	0.01	Significant

Source: data processed

The estimation results show that the ROA variable has no significant effect on ISR. This finding indicates that the rise or fall of a bank's profitability, as measured by ROA, does not statistically affect the level of social responsibility disclosure. This is consistent with several studies that found profitability is not always the main driver of ISR practices. Agency theory can explain why management focuses more on the interests of shareholders and profits rather than allocating resources to social disclosures, especially when there are no clear incentives or regulatory pressures. This finding is supported by the studies of Deviani & Kusuma (2019) and Susbiyani et al. (2023), which also shows that profitability is not always a strong determinant of the level of social disclosure in Islamic banking in Indonesia. Although theoretically, profitability is expected to provide funds for social activities, this finding implies that decisions related to ISR may be more influenced by other factors beyond direct financial performance.

The ROE variable is also not statistically significant for ISR. This means that the bank's profitability, as measured by shareholders' equity, also does not statistically affect the level of social responsibility disclosure. These insignificant results can be explained by the argument that social disclosure is voluntary and not always directly related to core financial performance. Several studies, as

suggested by Elgattani & Hussainey (2021), show that the motivation for social responsibility disclosure comes more from non-financial pressures, such as Sharia compliance or stakeholder demands. In addition, the study by Ayimah et al. (2025), which focused on the determinants of Return on Assets, indirectly indicates that internal bank factors, such as capital management and liquidity, may be more dominant in determining performance than aspects of social disclosure. Theoretically, although ROE is important for investors, its impact on social disclosure decisions may be indirect or even nonexistent, especially if such disclosures do not directly increase the economic value for shareholders.

The FDR variable has a significant positive effect on ISR. The positive coefficient of 0.069842 indicates that every 1% increase in FDR will increase ISR by 0.069842%. This means that banks that are more aggressive in channeling financing tend to have better social disclosure. This finding can be supported by studies linking bank intermediation performance with social responsibility. Banks with higher financing ratios are more likely to be involved in real economic activities that directly impact society, thereby increasing their motivation for social disclosure. This is consistent with the view that Islamic financial institutions have a dual role, not only to seek profits but also to fulfil socio-economic functions. The study by Al-Romaihi & Kumar (2025), which analyzed credit risk in the GCC banking sector, can provide indirect context on how a bank's core operations affect other aspects, including social responsibility. Theoretically, banks with strong financing activities have greater opportunities to demonstrate their contribution to economic and social development, which is then reflected in their ISR disclosures.

The ICG variable has no significant effect on ISR. This finding shows no clear relationship between the quality of Islamic corporate governance and the level of Islamic social responsibility disclosure. This result may be counterintuitive, given that ICG is designed to ensure sharia compliance and accountability, including in social aspects. However, this finding may be due to several factors. One is greenwashing, where ISR disclosure is more formal than substantive, thus not strongly influenced by governance structures. Another possibility is that the main focus of ICG remains on Sharia compliance in core financial transactions, rather than broad social disclosure. Hanif & Haron (2022), who conducted a systematic review of governance and corporate social responsibility in Islamic banks, also discussed the complexity of this relationship. The study by Kachkar & Yilmaz (2023) on Sharia Supervisory Boards may also provide insights into variations in ICG practices. Theoretically, although ICG is expected to encourage ISR, its implementation may not yet fully integrate social reporting as an inseparable part of an effective governance framework.

The size variable affects the ISR with a coefficient of 6.30. This means that every 1 unit increase in the size of the bank will increase the ISR by 6,301 units, assuming other variables are constant. This shows that the larger the size of the bank, the higher the level of disclosure of Islamic social responsibility. These results are consistent with legitimacy theory and stakeholder theory. Larger banks tend to face higher public pressure and regulation to be socially responsible, and they also have more resources to conduct comprehensive disclosures. Study of Kautsar (2023), who discussed the determinants of the level of social reporting disclosure in Islamic commercial banks, and Permatasari & Tubastuvi (2024), who examined the determinants that influence Islamic social reporting, also often find that company size is a strong predictor of CSR/SRI disclosure. Radwan et al. (2025) also pointed out that the size of the bank has a positive effect on the quality of CSR disclosure in Islamic and conventional banks. Theoretically, large companies have higher visibility and more stakeholders demanding accountability, encouraging them to be more transparent in social and environmental activities through more extensive reporting.

Conclusions

This study finds that bank size significantly and positively affects the level of Islamic Social Reporting (ISR) disclosure in Islamic Commercial Banks in Indonesia. This means that the larger the bank, the higher its level of transparency in reporting Islamic social responsibility. The Financing to Deposit Ratio (FDR) variable also shows a significant positive effect. On the other hand, profitability as measured by Return on Assets (ROA) and Return on Equity (ROE), as well as Islamic Corporate Governance (ICG), is not found to have a significant effect on ISR. These findings indicate that the motivation for ISR disclosure tends to be more driven by bank visibility and resource availability rather than direct financial performance or the Islamic governance structure measured in this study.

These findings have several important implications. First, the significance of bank size for ISR confirms that regulators can encourage increased social disclosure by focusing more on large banks, as they have greater capacity and stakeholder pressure. Smaller banks may require further incentives or guidelines to improve their ISR practices. Second, the insignificance of profitability (ROA and ROE) and ICG indicates complexity in this relationship. This suggests that the motivation for ISR does not solely come from financial motives or formal governance compliance, but may also be influenced by intrinsic commitment, organizational culture, or non-financial stakeholder pressure that is not captured by the variables in this model. The practical implication for Islamic banks is the need to integrate ISR more strategically into their core operations and governance. ISR should not only be a formality but should genuinely reflect actual practices and provide added value for stakeholders.

Although this study provides important findings, there are some limitations that should be considered. First, the research sample is limited to only eight Islamic Commercial Banks in Indonesia, which may not fully represent the entire Islamic banking population. Second, the research period, which only covers 2019–2023, limits the generalization of results, as economic and regulatory dynamics outside this period may affect the relationships between variables. Third, this study focuses only on predetermined variables; other factors, such as organizational culture, pressure from non-financial stakeholders, or specific regulatory changes, may also play an important role in ISR disclosure. These limitations provide opportunities for future research to expand the sample, extend the study period, or include other relevant variables to obtain a more comprehensive understanding.

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