

The Effect of Profitability, Firm Size, and Leverage on Islamic Social Reporting with Sharia Supervisory Board as Moderating Variable

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Abstract

This study aims to examine the effect of profitability, company size, and leverage on the disclosure of Islamic Social Reporting (ISR), this study also analyzes the role of the Sharia Supervisory Board (SSB) as a moderating variable. The role of SSB is very important in the operation of Islamic banks. SSB must be involved in the Company's decision making, including in the disclosure of ISR. The study was conducted on 11 Islamic Commercial Banks in Indonesia for the period 2020-2023 with a total of 44 samples. The analysis method used in this research is Moderated Regression Analysis (MRA), which is then measured using the eviews 13 test tool. The results showed that Profitability and Company Size had a coefficient value of 0.703009 and 0.022053 and has a positive nial, while Leverage has no effect on ISR and SSB has a significant effect on ISR disclosure, Profitability after being moderated by SSB has no effect on ISR while Company Size and Leverage are strengthened by SSB and have a significant effect on ISR. which means that SSB involvement in making Islamic bank decisions will have a positive impact on Islamic bank activities. Islamic banks will tend to have a high level of ISR.

Keywords: Profitability, Company Size, Leverage, ISR, SSB

INTRODUCTION

Islamic Social Reporting (ISR) is a concept that developed from corporate social responsibility (CSR) and is based on Islamic sharia principles (Fachrurrozie et al., 2021). ISR plays an important role in enhancing transparency and accountability in Muslim-majority countries by aligning corporate practices with Islamic values. ISR serves as a framework for companies to disclose their social and environmental impacts, fostering trust among stakeholders (Wahyudi et al., 2023).

One of the institutions that operates according to sharia principles is Islamic banking, which functions as an intermediary to achieve mutual prosperity in the economic field (Hanifah, 2021). Islamic banks have unique characteristics compared to conventional banks. This bank not only focuses on economic issues, but also integrates spiritual and social aspects in its business operations (Meutia, 2021). This is to enhance accountability, which is critical to maintaining stakeholder trust (Ab Ghani et al., 2024). By fully disclosing ISR, banks demonstrate their commitment to ethical practices, which is critical to attracting and retaining customers who prioritize Shariah compliance (Ismail et al., 2020).

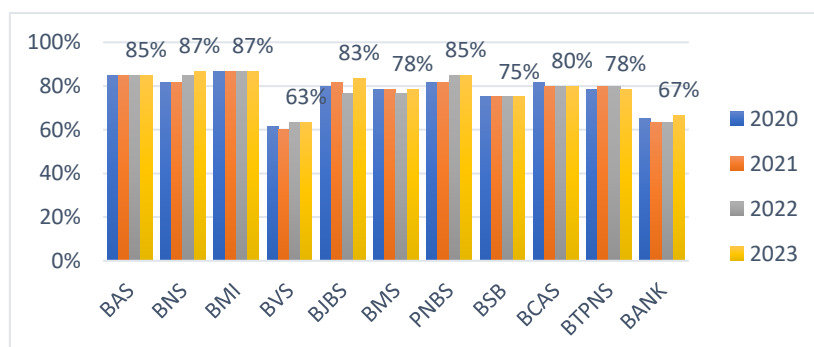


Figure 1. Development of ISR Level in Islamic Banks in Indonesia

According to Figure.1 above, the development of ISR in Islamic banks in Indonesia has mixed results. It shows that Bank Victoria Syariah (BVS) is slower because its disclosure value is below other Islamic banks. However, the highest value recorded was 87% owned by Bank Muamalat Indonesia (BMI) and Bank NTB Syariah (BNS). It can be interpreted that the disclosure of ISR in Islamic banks is still not optimal. According to Muhson & Aisyiah (2024) that the ISR index is good, but has not reached a value of 100%. because some items have not been disclosed properly which means that it is said to be less informative (Raihan, 2023), This is in line with Nursholihah, (2022) who conducted research on 13 Sharia Commercial Banks 2016-2020 which got a score of 65% explaining that this had not reached the maximum, there is other evidence, namely a score of 45.5%. (A Yuliana et al., 2022), 33,76% (Raihan, 2023).

Factors that influence the disclosure of ISR in Islamic commercial banks such as Profitability, Company Size, and Leverage and so on. According to Fachrurrozie et al. (2021) Companies with high profitability will help increase the scope of ISR disclosure of Islamic commercial banks in Indonesia. And a large company such as an Islamic bank that has a higher asset base often discloses some of the information they have, and this includes ISR disclosure. The principle of Islamic banking financial leverage differs significantly, both in terms of sources of funds and uses of funds, from the financial leverage of conventional banks (Puspitasari et al., 2024) Leverage shows the company's ability to fulfill all debt payments, both long-term debt and short-term debt. (Salsabilah & Fitri, 2023).

The factors that influence the disclosure of Islamic Social Reporting (ISR) are still inconsistent in research conducted by Octaviani & Anggraini (2023) profitability affects ISR disclosure, but other statements state that profitability has no effect on ISR disclosure (Batubara et al., 2023). The size of the company affects the disclosure of ISR according to Arsyad (2024) and has no significant effect on ISR (Affandi et al., 2019), then Leverage has a significant effect (Musa et al., 2023) and inversely proportional to the research conducted by Arsyad (2024). Researchers will add the role of the Sharia Supervisory Board (SSB) to strengthen the influence of profitability, company size, and profitability. (Fachrurrozie et al., 2021) and Leverage (Musa et al., 2023) on the disclosure of Islamic Social Reporting (ISR). The Shari'ah Supervisory Board (SSB) has influence in the operation of Islamic banks and is responsible for the application of sharia principles. It is no longer possible as in the disclosure of social responsibility of Islamic banks, SSB plays a role in providing decisions on Islamic banking practices. (Nurhasanah et al., 2021). To better understand how these factors affect ISR disclosure, researchers use Sharia Enterprise Theory (SET) and in this study is to combine the disclosure of ISR items from research conducted by (Hanifa, 2002) and (Othman et al., 2009) with 60 ISR disclosure items (Taufiq Abadi et al., 2020).

LITERATURE REVIEW

Sharia Enterprise Theory

The Sharia Enterprise Theory (SET) proposed by Triyuwono, (2006) in (Meutia, 2021) serves as the foundation for this study, offering a holistic perspective on corporate responsibility in Islamic accounting. SET places Allah as the highest stakeholder, making *sunnatullah* the primary basis for constructing Islamic accounting systems. human as the second stakeholder and includes direct stakeholders (those who contribute directly, either financially or non-financially), indirect stakeholders (those who do not contribute but are entitled to welfare under Islamic principles), and nature, which is an essential element supporting the company's sustainability. Thus, this study will refer to the principles of SET to analyze corporate responsibilities across multiple stakeholder dimensions, both vertically towards Allah and horizontally towards humanity and the environment.

Islamic Social Reporting

Islamic Social Reporting (ISR) is a method of reporting social efforts that is based on spiritual teachings and communal anticipation, which are intricately linked to the company's function in society and nature (Meutia, 2021). The main objective of ISR is to offer comprehensive transparency and social responsibility within the Islamic framework, which includes the company's obligations towards Allah SWT and society. (Khoiriyah, 2020). ISR emphasizes the importance of providing

comprehensive and clear information about the effects of company operations on the welfare of society and the environment (Anggraeni et al., 2020). These reports serve as an important tool in enhancing transparency and accountability (Kartika Oktaviana et al., 2021).

Profitability

Profitability explains the level of management effectiveness in managing the company based on the results of trading and capital investment (Nurwahidin & Mulawarman Hannase, 2023). Profitability allows management to provide complete information related to ISR to investors freely and flexibly (Winarsih, 2024). Companies that create high profits tend to lead to policy intervention activities (Putri et al., 2023), including the social activities that are part of worship through activities to serve the society and the environment. (Mukhibad et al., 2020).

Company Size

The size of a banking company is usually measured by its total assets, which affect its capacity to manage deposits and run bank operations (Sari et al., 2022). The size of the company has the capacity to influence the level of information disclosed in the financial statements, including the disclosure of Islamic Social Reporting (ISR). Thus, the assessment of company size is very important in evaluating the scope of operations and transparency in complying with social and ethical standards (Fachrurrozie et al., 2021).

Leverage

Leverage in banking refers to the utilization of borrowed funds to increase the potential return on investment, which can have a significant impact on a bank's financial stability and risk profile. This leverage is critical to assessing how banks work as well as the impact of their leverage practices on the financial system (Sgambati, 2019). Higher leverage may encourage companies to increase transparency to gain the trust of stakeholders (Adelena et al., 2019).

Sharia Supervisory Board

The Sharia Supervisory Board (SSB) ensures that Islamic banks comply with sharia principles by advising, supervising, and making decisions on the activities of Islamic banks relating to compliance (Fani et al., 2023). A larger number of members in the SSB organization could potentially lead to an increase in ISR disclosure. As the number of SSB members increases, so does the potential for increased supervision and enforcement related to compliance with sharia principles (Mukhibad, 2018).

HYPOTHESIS DEVELOPMENT

Profitability

Profitability shows the company's ability to generate profits from its operational activities. More profitable companies tend to have better financial capacity to report their social activities (Nurilaizzati & Khoiriyah, 2023). Musa et al., (2023) With high profits, companies can demonstrate their commitment to accountability to society through better ISR disclosure. This is in line with the principles in Sharia Enterprise Theory (SET) which emphasize the importance of justice and corporate accountability to Allah SWT and humans (Nurilaizzati & Khoiriyah, 2023). This statement is in line with research conducted by (Meutia et al., 2019) (Fachrurrozie et al., 2021) and (Musa et al., 2023) which shows that the research results are significant and profitability affects the disclosure of Islamic Social Reporting.

H1: Profitability has a significant effect on the disclosure of Islamic Social Reporting

Company Size

Othman (2009) The larger the size of the company, the greater the amount of information that is usually accessible to investors. This increased availability of information also indicates a higher level of transparency and accountability within the company, potentially attracting more investors. Shariah-compliant entities have an obligation towards their corporate stakeholders, especially those who adhere to the Islamic religion, to engage in social disclosure practices that are aligned with shariah principles. One avenue through which such information can be disseminated is through the practice

of Islamic Social Reporting, which serves as a mechanism for companies to communicate their social and ethical performance in accordance with sharia standards. This is in line with the research (Nur et al., n.d.) and (Arthika et al., 2018) which shows the results that company size has a positive effect on the disclosure of Islamic Social Reporting.

H2: Company size has a positive and significant effect on the disclosure of Islamic Social Reporting.

Leverage

Companies with high leverage may have greater pressure to meet their debt obligations, thus prioritizing cost efficiency and reducing allocations for ISR disclosure (Salsabilah & Fitri, 2023). However, in the context of SET, transparency remains a key principle, especially in the face of high financial risk to Additional information such as social information is needed to eliminate doubts and generate trust (Musa et al., 2023).

H3: Leverage has a positive and significant effect on the disclosure of Islamic Social Reporting.

Shari'ah Supervisory Board

A larger number of members in the SSB organization could potentially lead to increased ISR disclosure. Fachrurrozie et al. (2021) As the number of SSB members increases, so does the potential for increased supervision and enforcement regarding compliance with sharia principles. It is evident that SSB members directly influence the effectiveness of ISR supervision and disclosure mechanisms (Mukhibad, 2018). This statement is in line with research conducted (Mukhibad, 2018), (Wijayanti & Setiawan, 2023) and (Safinatun Najah & Andraeny, 2023) that the Sharia Supervisory Board has an effect on the disclosure of Islamic Social Reporting.

H4: The Sharia Supervisory Board has a positive and significant effect on the disclosure of Islamic Social Reporting.

Sharia Supervisory Board Moderates Profitability and ISR Disclosure

The role of the Sharia Supervisory Board is related to improving the financial performance of Islamic banks, showing that effective governance through the role of the Sharia Supervisory Board can increase ISR disclosure, which in turn has a positive impact on the results of the bank's financial performance (Iskandar et al., 2023). This statement is in line with research conducted (Fachrurrozie et al., 2021) and (Musa et al., 2023) that SSB moderates Profitability and ISR Disclosure.

H5: Sharia Supervisory Board Moderates Profitability and Islamic Social Reporting Disclosure

Sharia Supervisory Board moderates Company Size and ISR disclosure

Setiyani & Citradewi (2023) revealed that company size can affect the relationship between profitability and ISR disclosure, which suggests that larger companies have more resources to improve their reporting practices. This is mainly in the involvement of SSB in supervising bank operations and decisions on bank performance seen in effective asset management correlates with increased ISR disclosure, especially for profitable companies. This is in line with research conducted by (Fachrurrozie et al., 2021) and (Musa et al., 2023) that SSB moderates Company Size with ISR Disclosure.

H6: Shari'ah Supervisory Board Moderates Company Size and Islamic Social Reporting Disclosure

Sharia Supervisory Board Moderates Leverage and ISR Disclosure

In managing Islamic banking debt to improve the company's financial stability, it is necessary to have an advisor in making a decision to avoid high risk in a company, and if financial performance is good, especially in debt management and the role of SSB, the bank will be more comprehensive in disclosing ISR. This is in line with research conducted by (Musa et al., 2023) that SSB moderates Leverage and ISR Disclosure.

H7: Shari'ah Supervisory Board Moderates Leverage and Islamic Social Reporting Disclosure.

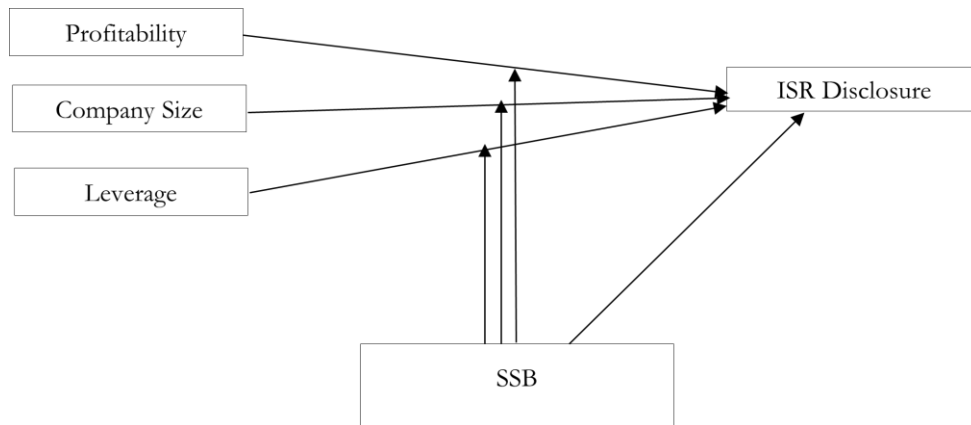


Figure 2. Research Framework

METHODS

The method used in this research uses a quantitative approach using secondary data in the form of panel data. This study examines the effect of profitability, leverage and company size on Islamic Social Reporting. The Sharia Supervisory Board is used in this study as a Moderating Variable. The population in this study were all Islamic commercial banks registered with the Financial Services Authority (OJK) in 2020-2023. The sample technique uses *purposive sampling* method, with criteria: (1) Islamic Commercial Banks registered with the Financial Services Authority in Indonesia in 2020-2023. (2) Sharia Commercial Banks that consistently publish complete annual reports with financial statements for the period 2020-2023. (3) Islamic Commercial Banks which in their reports disclose the required items. So that 11 Islamic Commercial Banks were selected from 2020-2023 that fit the criteria is 44 Total sample. This research model uses moderated regression analysis (MRA). MRA is an analytical approach in maintaining sample integrity and providing a useful basis for controlling the influence of moderating variables (Ghozali, 2018).

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon \text{ (Equation 1)}$$

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_1 * Z + \beta_5 X_2 * Z + \beta_6 X_3 * Z + \varepsilon \text{ (Equation 2)}$$

Where:

Y = Islamic Social Reporting

α = Constant

β = Regression Coefficient

X1 = Profitability (ROA)

X2 = Leverage (DER)

X3 = Company Size

Z = Sharia Supervisory Board

ε = Error

Table.1 Variable Measurement

| Variables | Measurement | Scale |
|---------------------------------|--|-------|
| Dependent Variable | | |
| Islamic Social Reporting | ISR = | |
| | $\frac{\text{Number of items disclosed}}{\text{Maximum number of items}}$ (Fachrurrozie et al., 2021) | Ratio |
| Independent Variable | | |
| Profitability | ROA = | |
| | $\frac{\text{Net profit after tax}}{\text{Total Assets}}$ (Fachrurrozie et al., 2021) | Ratio |

| Variables | Measurement | Scale |
|---------------------------------|---|---------|
| Company Size | Ln Total Assets (Fachrurrozie et al., 2021) | Nominal |
| Leverage | $\text{DER} = \frac{\text{Total Debt}}{\text{Total Equity}}$ (Musa et al., 2023) | Ratio |
| Moderating Variable | | |
| Sharia Supervisory Board | The number of SSB (Fachrurrozie et al., 2021) | Nominal |

RESULTS AND DISCUSSION

This research data analysis uses multiple linear regression and panel data modeling. The Eviews program is the choice of researchers to manage data with the help of panel data regression analysis models. In analyzing this research data, descriptive statistical tests, classical assumption tests, model accuracy tests, and hypothesis tests are used. In panel data regression, three estimation models can be carried out, namely the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM). To determine the most appropriate choice of model to use, several tests can be carried out using the consideration of the probability value of cross-section (Susanti & Nidar, 2016). Then, the classical assumption test is optional in panel data regression. Some researchers ignore classical assumptions. According to Gujarati (2012) panel data has complexity regarding the behavior in the model so that panel data does not require a classical assumption test. Thus, with the advantages of panel data regression, the implication is that it does not have to require classical assumption testing. (Verbeek, 2004 & Gujarati, 2012)

Descriptive statistics

Table 2. Descriptive Statistics

| Variables | N | Min | Max | Mean | Std.Dev |
|----------------------|----|-----------|----------|----------|----------|
| ISR | 44 | 0.600000 | 0.886667 | 0.784221 | 0.079141 |
| Profitability | 44 | -0.074900 | 0.084100 | 0.008325 | 0.029782 |
| Company Size | 44 | 27.30000 | 33.03000 | 30.42500 | 1.211222 |
| Leverage | 44 | 0.062300 | 8.394300 | 1.720418 | 1.663413 |
| SSB | 44 | 1.000000 | 3.000000 | 2.136364 | 0.408680 |

(Data Processing Source: Eviews 2024)

Regression Model

Table 3. Chow Test

| Redundant Fixed Effects Tests | | | |
|----------------------------------|------------|---------|--------|
| Equation: FEM | | | |
| Test cross-section fixed effects | | | |
| Effects Test | Statistic | d.f. | Prob. |
| Cross-section F | 66.534824 | (10,30) | 0.0000 |
| Cross-section Chi-square | 138.301478 | 10 | 0.0000 |

(Data Processing Source: Eviews 2024)

The chow test shows that the Cross-section F probability value shows $0.0000 < 0.05$, so FEM is chosen.

Table 4. Hausman Test

Correlated Random Effects - Hausman Test

Equation: REM

Test cross-section random effects

| Test Summary | Chi-Sq. Statistic | Chi-Sq. d.f. | Prob. |
|----------------------|-------------------|--------------|--------|
| Cross-section random | 20.947257 | 3 | 0.0001 |

(Data Processing Source: Eviews 2024)

The Hausman test shows that the cross-section random probability value is $0.0001 < 0.05$, so FEM is chosen.

So that in equation 1 the Fixed Effect Model was selected. The results of the Fixed Effect Model estimation are as follows:

Table 6. Fixed Effect Model Estimation Results (Equation 1)

Dependent Variable: ISR

Method: Panel Least Squares

Date: 10/30/24 Time: 15:52

Sample: 2020 2023

Periods included: 4

Cross-sections included: 11

Total panel (balanced) observations: 44

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---------------|-------------|------------|-------------|--------|
| C | 0.772294 | 0.002791 | 276.7490 | 0.0000 |
| PROFITABILITY | 0.703009 | 0.068219 | 10.30519 | 0.0000 |
| COMPANY_SIZE | 0.022053 | 0.004784 | 4.609347 | 0.0001 |
| LEVERAGE | -0.000174 | 0.000266 | -0.653735 | 0.5183 |

Effects Specification**Cross-section fixed (dummy variables)**

| | | | |
|--------------------|----------|--------------------|----------|
| R-squared | 0.993783 | F-statistic | 368.9000 |
| Adjusted R-squared | 0.991089 | Prob(F-statistic) | 0.000000 |
| | | Durbin-Watson stat | 2.823329 |

(Data Processing Source: Eviews 2024)

Next, we will conduct panel data regression testing for equation 2.

Table 7. Chow Test

Redundant Fixed Effects Tests

Equation: FEM1

Test cross-section fixed effects

| Effects Test | Statistic | d.f. | Prob. |
|--------------------------|------------|---------|--------|
| Cross-section F | 101.477490 | (10,26) | 0.0000 |
| Cross-section Chi-square | 162.343468 | 10 | 0.0000 |

(Data Processing Source: Eviews 2024)

The chow test shows that the Cross-section F probability value shows $0.0000 < 0.05$, so FEM is chosen.

Table 8. Hausman Test

Correlated Random Effects - Hausman Test

Equation: REM1

Test cross-section random effects

| Test Summary | Chi-Sq. Statistic | Chi-Sq. d.f. | Prob. |
|----------------------|-------------------|--------------|--------|
| Cross-section random | 61.919058 | 7 | 0.0000 |

(Data Processing Source: Eviews 2024)

The Hausman test shows that the cross-section random probability value is $0.0000 < 0.05$, so FEM is chosen.

So that in equation 2 the Fixed Effect Model was chosen. The Fixed Effect Model estimation results are as follows:

Table 10. Fixed Effect Model Estimation Results (Equation 2)

Dependent Variable: ISR

Method: Panel Least Squares

Date: 10/30/24 Time: 18:43

Sample: 2020 2023

Periods included: 4

Cross-sections included: 11

Total panel (balanced) observations: 44

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---------------|-------------|------------|-------------|--------|
| C | 0.769886 | 0.009922 | 77.59727 | 0.0000 |
| PROFITABILITY | 0.643073 | 0.100495 | 6.399066 | 0.0000 |
| COMPANY_SIZE | 0.020016 | 0.003869 | 5.173874 | 0.0000 |
| LEVERAGE | -0.000442 | 0.000225 | -1.961074 | 0.0607 |
| SSB | 0.092047 | 0.039883 | 2.307907 | 0.0292 |
| X1_SSB | -6.36E-05 | 0.000702 | -0.090598 | 0.9285 |
| X2_SSB | -0.003311 | 0.001314 | -2.520283 | 0.0182 |
| X3_SSB | 0.008095 | 0.001905 | 4.249698 | 0.0002 |

Effects Specification**Cross-section fixed (dummy variables)**

| | | | |
|--------------------|----------|--------------------|----------|
| R-squared | 0.996909 | F-statistic | 493.2815 |
| Adjusted R-squared | 0.994888 | Prob(F-statistic) | 0.000000 |
| | | Durbin-Watson stat | 3.242050 |

(Data Processing Source: Eviews 2024)

Hypothesis Test

Multiple Linear Regression Analysis used is FEM and FEM. Multiple regression analysis serves to measure the influence between more than one independent variable on the dependent variable. In this study, it is used to determine the effect of x and y projected with a regression model based on the following table:

Table.11

| Variable | Y 1 (FEM) | | Y MRA (FEM) | |
|--------------|-------------|--------|-------------|--------|
| | Coefficient | Prob | Coefficient | Prob |
| C | 0.772294 | 0.0000 | 0.769886 | 0.0000 |
| X1 | 0.703009 | 0.0000 | 0.643073 | 0.0000 |
| X2 | 0.022053 | 0.0001 | 0.020016 | 0.0000 |
| X3 | -0.000174 | 0.5183 | -0.000442 | 0.0607 |
| Z | - | | 0.092047 | 0.0292 |
| X1Z | - | | -6.36E-05 | 0.9285 |
| X2Z | - | | -0.003311 | 0.0182 |
| X3Z | - | | 0.008095 | 0.0002 |
| R Squared | 0.993783 | | 0.996909 | |
| F Count | 368.9000 | | 493.2815 | |
| F Statistics | 0.000000 | | 0.000000 | |

(Data Processing Source: EvIEWS 2024)

Based on the results of multiple regression tests and MRA tests in table 11, the following equation can be obtained: $Y = 0.7722 + 0.7030 X1 + 0.0220 X2 - 0.0001 X3 + 0.0920 Z - 6.36E-05 X1Z - 0.0033 X2Z + 0.0080 X3Z$

The constant value is 0.7722, which means that if the independent variable is equal to zero or constant, then the ISR is worth 0.7722. The regression coefficient of the profitability variable is 0.7030 with a positive coefficient direction, this means that if the profitability variable increases by 1 percent, the ISR will increase by 0.7030 assuming other variables are constant. The regression coefficient of the company size variable is 0.0220 with a positive coefficient direction, this means that if the company size variable increases by 1 percent, the ISR will increase by 0.0220 assuming other variables are constant. The regression coefficient of the Leverage variable is 0.0001 with a negative coefficient direction, this means that if the Leverage variable increases by 1 percent, the ISR variable will decrease by 0.0001 assuming other variables are constant. The SSB regression coefficient is 0.0920 with a positive coefficient direction, this means that if the SSB increases by 1 percent, the ISR will increase by 0.0920 assuming other variables are constant. The regression coefficient of the interaction of profitability variables with SSB is obtained at 6.36E-05 with a negative direction, this means that if the interaction of profitability variables with SSB increases by 1 percent, the ISR will decrease by 6.36E-05 assuming other variables are constant, but the effect is not significant. The regression coefficient of the interaction of the Company Size variable with SSB is obtained at 0.0033 with a negative direction, this means that if the interaction of the company size variable with SSB increases by 1 percent, the ISR will increase by 0.0033 assuming other variables are constant. The regression coefficient of the interaction of the leverage variable with SSB is obtained at 0.0080 with a positive direction, this means that if the interaction of the leverage variable with SSB increases by 1 percent, the ISR will increase by 0.0080 assuming other variables are constant.

T test

Table.12 T-Test Results

| Variable | Y MRA (FEM) | | | |
|---------------|-------------|-----------|--------|-------------|
| | Coefficient | T count | Prob | Description |
| C | 0.772294 | 276.7490 | 0.0000 | - |
| Profitability | 0.703009 | 10.30519 | 0.0000 | Accepted |
| Company Size | 0.022053 | 4.609347 | 0.0001 | Accepted |
| Leverage | -0.000174 | -0.653735 | 0.5183 | Rejected |
| SSB | 0.092047 | 2.307907 | 0.0292 | Accepted |
| X1_SSB | -6.36E-05 | -0.090598 | 0.9285 | Rejected |
| X2_SSB | -0.003311 | -2.520283 | 0.0182 | Accepted |
| X3_SSB | 0.008095 | 4.249698 | 0.0002 | Accepted |

(Data Processing Source: EvIEWS 2024)

Based on the estimation results, statistical tests are then carried out, which include individual parameter significance tests (t statistical tests), joint significance tests (F statistical tests) and coefficient of determination tests (R^2). The t statistical test aims to see how far the influence of each independent variable individually in explaining the variation in the dependent variable.

Furthermore, the F test is used to determine the independent variable on the dependent variable as a whole. The probability value of the F-statistic is 0.000000 which means it is smaller than the alpha value of 0.05. These results provide the conclusion that the independent variables, namely Profitability, Company Size, Leverage and SSB Moderation together have a significant effect on ISR. Furthermore, the estimation results show the value of R^2 of 0.996909 or 99.69% which means that Profitability, Company Size, Leverage and SSB Moderation can explain ISR by 99.69%, then the rest can be explained by other variables outside the research variables.

DISCUSSION

Effect of Profitability on ISR Disclosure

The result of H_1 is accepted meaning that Profitability as measured by Return On Asset (ROA) has an impact on ISR disclosure. Banks that have high profits allow companies more resources in disclosing comprehensive social, so as to increase their commitment to ISR disclosure. This shows that Islamic banking has been able to provide welfare for the community and the company has disclosed their obligations to stakeholders, especially to Allah SWT. The results of this study are in line with research conducted by (Ernayani, 2022) and (Supendri et al., 2024) which states that Profitability measured by ROA affects the disclosure of ISR. However, these results contradict the research conducted by (Euis Nurawaliyah et al., 2022) and (Adema et al., 2023) which states that Profitability as measured by ROA has no effect on ISR.

The Effect of Company Size on ISR Disclosure

The result of H_2 is accepted, meaning that Company Size has an effect on ISR Disclosure. SET emphasizes the importance of large companies to demonstrate their social responsibility because they have more resources and higher expectations from stakeholders. Larger company size also strengthens their position as moral agents who must report their social and environmental impacts more comprehensively. The results of this study are in line with research conducted by (Muhson & Aisyiah, 2024) and (Arsyad & Rofiuddin, 2024) which states that company size affects ISR. However, the results of the study contradict research conducted by (Zuhriyanto & Haryono, 2022) and (Sahara & Dalimunthe, 2023) which states that company size has no effect on ISR disclosure.

Effect of Leverage on ISR Disclosure

The result of H_3 is rejected, meaning that Leverage has no effect on ISR Disclosure. Although leverage may influence perceptions of risk and corporate responsibility, SET emphasizes fairness in disclosure. These results indicate that companies with high leverage may focus more on financial stability than resource allocation for ISR disclosure. The results of this study are in accordance with research conducted by (Affandi et al., 2019) and (Alfia Nur Azizah et al., 2022) which states that leverage has a significant effect and has a negative influence on ISR. However, other results state that the higher the debt owned by banks, the greater their responsibility, to maintain reputation and maintain the trust of banking stakeholders in increasing the disclosure of their social obligations, as a form of responsibility and improving the company's reputation (Setiyani & Citradewi, 2023) and (Musa et al., 2023).

Effect of SSB on ISR Disclosure

The result of H_4 is accepted, meaning that SSB has an effect on ISR disclosure. SSB serves as a supervisor to ensure that companies operate in accordance with sharia principles, including ISR disclosure. The presence of SSB supports the transparency and accountability of companies, which reflects their obligations to Allah SWT and society. These results are in line with research conducted by (Avianty et al., 2024) and (setyawan, 2021). However, the results of this research are different from

the research conducted by (Alfia Nur Azizah et al., 2022) and (Janah & Sundari, 2024) which states that the Sharia Supervisory Board (SSB) has no effect on ISR disclosure.

SSB Moderates the Effect of Profitability on ISR Disclosure

The result of H_5 is rejected, meaning that SSB does not moderate Profitability on ISR Disclosure. SET emphasizes the importance of individual responsibility in the management of company assets. These results suggest that the role of DPS may not be entirely related to the asset management or profitability aspects of the company, but rather to overall governance. The results of this study are not in line with research conducted by (Fachrurrozie et al., 2021) and (Musa et al., 2023) which states that SSB strengthens the effect of profitability on ISR disclosure.

SSB Moderates the Effect of Company Size on ISR Disclosure

The result of H_6 is accepted, meaning that SSB moderates Company Size on ISR disclosure. : SET supports that large companies have a greater responsibility towards ISR disclosure, and DPS plays an important role in strengthening large companies' commitment to transparency and social responsibility. The results of this study are in line with research conducted by (Fachrurrozie et al., 2021) which states that SSB moderates the effect of company size on ISR Disclosure.

SSB Moderates the Effect of Leverage on ISR Disclosure

The result of H_7 is accepted, meaning that SSB moderates Leverage on ISR Disclosure. supports that DPS helps companies mitigate financial risks arising from high leverage through better supervision and disclosure. This is in accordance with the principle of justice promoted by this theory. The results of this study are in line with research conducted by (Musa et al., 2023). Which states that SSB moderates the effect of Leverage on ISR Disclosure.

CONCLUSIONS

The results of this study indicate that Profitability and Company Size affect the ISR Disclosure. While Leverage has a significant negative effect on ISR Disclosure. The results of testing the SSB moderation variable show that SSB does not moderate the effect of profitability on ISR, but SSB moderates the effect of Company Size and Leverage on ISR Disclosure. This shows that the presence of SSB in decisions on Islamic bank operations is very important. SSB as a supervisor of sharia compliance with Islamic banking law to carry out its operations according to applicable sharia principles. One of them is Islamic Social Reporting (ISR), in accordance with Sharia Enterprise Theory teaches the importance of justice in the relationship between the company and various stakeholders. ISR disclosure allows companies to demonstrate such fairness through honest reporting of social, ethical and environmental activities. This is important to build public trust and demonstrate that the company is not only operating for profit, but also for the general welfare.

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