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DETERMINATION OF DISCLOSURE OF ISLAMIC SOCIAL REPORTS AT SHARIA BANK IN INDONESIA

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ABSTRACT

Introduction: This study aims to determine the effect of profitability, bank size, bank age, debt to asset ratio, and syirkah funds to partially and simultaneously reveal Islamic Social Reporting on Islamic banks in Indonesia.
Methods: This study uses a quantitative method with panel data regression analysis with EViews 12. The population used in this study is Islamic banks in Indonesia.
Results: This study partially shows that profitability, Islamic bank size, and debt to asset ratio are not significant in Islamic Social Reporting disclosure. Meanwhile, the age of Islamic banks and temporary syirkah funds has a positive and significant effect on the disclosure of Islamic Social Reporting. Simultaneously, profitability, bank size, bank age, debt-to-asset ratio, and temporary syirkah funds have a significant positive effect on the disclosure of Islamic Social Reporting in Islamic banks in Indonesia in 2016-2021.
Conclusion and suggestion: This study reveals that Islamic Social Reporting (ISR) disclosure in Indonesian Islamic banks is significantly influenced by bank age and temporary shariah funds, rather than profitability, size, or debt ratio. The findings highlight the importance of long-term commitment and stakeholder engagement in enhancing ISR practices, offering valuable insights for policymakers and stakeholders.

INTRODUCTION

Islamic Social Reporting (ISR) is used as a reference in a comprehensive framework to determine the standardization for disclosing social responsibility in Islamic banking (Farook et al., 2011). According to Sunarsih and Ferdiansyah (2016), ISR measures the social performance of companies that have had sharia effects in carrying out their social obligations to interested parties. ISR is developed from the CSR standardization set by

AAOIFI, after which the researcher determines the CSR standardization that Islamic entities will report on. Islamic principles are disclosures that are related to the ISR Index, such as zakat, sharia compliance, and transactions that are free from gharar and riba, and include social aspects such as qardul hassan, waqf, and shadaqah (Antonio et al., 2021).

Islamic banking was formed due to the increasing awareness of the Muslim community to conduct financial transactions on religious grounds. The relationship between humans and God, the universe, and the relationship with humans themselves can be strengthened by constructing a Sharia framework that is used to prepare the ISR concept to achieve accountability and transparency. ISR has two objectives, namely, to increase transparency in a business with information that meets the needs of stakeholders and to show its responsibility to the community and to God. If Islamic banks want to compete in the international market and ensure sustainable growth then they must ensure maximum disclosure and improve corporate governance (Nani, 2019; Haniffa, 2002; Chapra & Ahmed, 2002).

Hussain et al. (2021), in their research entitled "Determinants of Islamic Social Reporting in Islamic Banks of Pakistan," stated that several determinants have an important role in disclosing ISR. The author uses data on Sharia banks listed on the Pakistan Stock Exchange between 2012-2019. The study results revealed that social reporting on the annual reports of Islamic banks in Pakistan is increasing. However, improvements and compliance are needed to ensure accountability and transparency in financial reporting, just as in Islamic teachings. The researcher wishes to examine and identify the factors that influence the disclosure of ISR in Islamic banks in Indonesia according to Islamic teachings.

In this study, the author wants to analyze the factors that affect the disclosure of ISR to Islamic banks in Indonesia by following the indicators in the research. The author uses independent variables such as profitability, the size of Islamic banks, the age of Islamic banks, the debt-to-asset ratio, and temporary shirkah funds. The study uses each Indonesian Islamic bank’s annual reports across the years 2016-2021, taken from their official websites (Haniffa & Hudai, 2007).

The results of this study are expected to be used by Indonesian regulators to set regulations related to ISR disclosure of Islamic banks. The research can be used as a guideline for investors to assess and evaluate each Islamic bank's prospects in carrying out ISR activities. It is hoped that this study will increase public trust in Islamic banks to carry out their obligations to the community by disclosing ISR.

LITERATURE REVIEW

Islamic Social Reporting

The role of banks in the economy, the need to meet the expectations of stakeholders, and ensuring customers can feel confident in their banking are pressing issues that can be met through the disclosure of reports. ISR makes disclosures that include a spiritual perspective that illustrates sharia principles and do not just disclose company information to the public. ISR has two main objectives, firstly as a form of accountability to Allah SWT and to the community. Second, ISR provides information to stakeholders and parties who need information disclosure (Arianugrahini, 2020; Abadi et al., 2020).

Islamic Bank

Islamic banking has increased along with the growing number of Muslim populations who hope to have a life following Islamic laws and principles in the world. Achieving economic stability and improvement requires Islamic banks to maximize the optimal employment rate, implement socio-economic justice, and stabilize the value of currency, investment and savings movements with a guarantee of fair profits and good services. Islamic banking is a banking system that moves and operates with legal principles and is based on Sharia. The Islamic banking system makes money lending using an interest system (riba) and other investments included in haram operations (Putra & Nafik, 2016). Interest is an additional money exchange rate that continues to increase if the deadline for paying the interest-bearing loan is passed. Riba is an excess money loan; it must be paid by the money borrower (Abedifar et al., 2013; Putra & Nafik, 2016).

Agency of theory

Agency theory discusses the relationship between investors (principal) and company management (agent). The relationship between the two can cause conflicts based on differences in interests from investors and company management (Rahayu & Cahyati, 2014). In optimizing the value of operations, the company will involve a manager (agent) tasked with managing the company's operations. The shortcomings of involving an agent to manage the company's operations will sometimes cause internal conflicts between agents and companies. The agency problem will make companies take action by reducing agency costs, affecting the agency sector (Bae et al., 2018).

Theory of Legitimacy

The Legitimacy Theory explains the steps companies take to gain legitimacy from the community to properly survive, and it is necessary to pay attention to the customs and norms that apply in the community (Jati et al., 2020). Based on the theory of legitimacy, companies that pay attention to the norms and customs of the environment in which the company operates are expected to gain recognition from the community and stakeholders

(Hidayati & Murni, 2009). The theory of legitimacy is such that there is a social contract between the community and the company; this makes the company consistently exhibit good behavior in its operations. The company will face a bad impact on its sustainability, recognition, legitimacy and reputation if it makes mistakes in its social responsibility. The theory of legitimacy will be considered positive in the eyes of the public if it makes positive social disclosures and is not exaggerated.

Stakeholder Theories

The stakeholder theory explains that in addition to working for the benefit of the company, the company must also be able to provide benefits to its stakeholders (Mukhibad & Fitri, 2020). The ISR Index, in addition to providing information related to finance to meet the interests of stakeholders, also meets the nature of concern for society, religion, ethics and the environment (Arianugrahini & Firmansyah, 2020). Stakeholders are divided into two parties, namely parties outside the company and parties from within the company. External parties include investors, creditors, consumers, suppliers, the community, and the government. Parties from within the company itself are shareholders, management, employees. The company is said to have provided benefits to stakeholders by providing corporate social information disclosure (Nani, 2019).

Profitability

Profitability in a bank is the ability to use assets or capital to generate a profit with either one's own capital or joint capital during a certain period. The function of ROA is to show the Bank's ability to generate profits from assets that have been used (Barus, 2013). Profitability is considered to affect the level of information disclosure of a company. If a company discloses a large enough amount of information, then the company is achieving profitability with a high percentage (Rahayu & Cahyati, 2014).

Bank size

The size of the bank is the total form of sales assets and capitalization owned by the bank. The size of the company affects its social performance, so large companies focus more on total assets, total sales, and total profits (Brigham & Houston, 2014). The high profitability of the company will affect the size of the bank. Banks can invest in fixed and current assets, and product demand is met due to large and adequate resources. Because of the increase in a company's profit, the market share will expand (Barus, 2013).

Bank Age

The company's age shows that the industry is already operating or has existed in that period. So, the company's age is a factor that affects the level of disclosure. A company's age begins to be calculated from its establishment and operation. When compared to companies with younger ages, companies with a more established or older age are assumed to be able to disclose information more often and in the form of annual reports (Arianugrahini & Firmansyah, 2020).

Debt to Asset Ratio

The ratio calculates a company's ability to pay its debts with equity that has been used as collateral (Nadya & Ismawati, 2020). Debt-to-asset ratio (DAR) measures the bank's debt that affects asset management. The formula for measuring DAR compares total debt and total bank assets (Maulita & Tania, 2018). If the company earns low profits, they will receive higher DAR. This is because a high level of DAR shows a comparison of liabilities to assets owned by larger companies (Tantra et al., 2021). The following is the formula to calculate the debt to asset ratio:

$$\mathrm{DAR} = \frac{Total\ Debt}{Total\ Asset} \quad (1)$$

Temporary shirkah funds

Islamic banks and conventional banks use current accounts, deposits and deposits collectively referred to as third-party funds, so that both can continue to unify funds from the public properly. Islamic banks are not based on current accounts, deposit and savings instruments, but are based on the principles that have been established in Islamic banks. The temporary shirkah fund is a movement to unify funds from the side of excess funds; the collection of funds is carried out using the musyarakah da mudharabah contract in accounting at Islamic banks.

HYPOTHESIS DEVELOPMENT

Relationship of bank profitability to ISR disclosure

The relationship of bank profitability to ISR disclosure aligns with signal theory. Suppose the bank achieves profitability with a large percentage ratio. In that case, it is likely that the company will carry out more directed and regular disclosure. Hence, the information provided by the bank is a positive signal, and it is hoped that the signal will be accepted by the market so that it can benefit the bank and increase the bank's value. Banks in profitable conditions will more routinely disclose information in their annual reports (Nohong et al., 2019).

H1: Profitability has a positive and significant effect on the level of ISR disclosure in Islamic banks in Indonesia

Relationship between bank age and ISR disclosure

The relationship of bank age to ISR disclosure is in line with the theory of legitimacy. Banks can survive well if they pay attention to applicable norms and customs. Banks can get legitimacy from the public or stakeholders by paying attention to this (Jati et al., 2020). According to Marwata (2001), older banks are considered to have a good track record of disclosing information as they have extensive bank experience in compiling financial statements and providing the information needed for the parties who use the financial statements. When compared to younger banks, established banks will more often and widely offer information disclosure in their annual reports. The bank age variable has a significant influence on the disclosure of ISR (Arianugrahini & Firmansyah, 2020) So, the hypothesis to be formulated is as follows:

H2: The age of Islamic banks has a positive and significant effect on the level of ISR disclosure in Islamic banks in Indonesia

Relationship of bank size to ISR disclosure

The relationship of bank size to ISR disclosure is in line with agency theory. According to Watts and Zimmerman (1983) in Hussain et al. (2021), banks of a large size have serious problems with agency. Therefore, banks with large sizes that have agency conflicts will take action to reduce the agency conflicts of large companies by carrying out their social disclosure (Hussain et al., 2021). Large banks are considered to be able to compile more annual reports when compared to small banks (Sellami & Tahari, 2017). According to Nohong et al. (2019), the size of the company is positively and significantly related to the level of ISR disclosure. So, the hypothesis is formulated as follows:

H3: The size of Islamic banks has a positive and significant effect on the level of ISR disclosure in Islamic banks in Indonesia

The Relationship between Debt to Asset Ratio and ISR Disclosure

The higher the debt ratio, the higher the amount of debt owed. High costs such as installments and interest are caused by the high debt that a company has. This has led to an increased desire from stakeholders such as creditors, investors and interested parties with the information that has been provided, including information on bank social responsibility. Therefore, Islamic banks will disclose ISR in order to meet the demands of stakeholders (Mukhibad & Fitri, 2020). So, the hypothesis that will be formulated is as follows:

H4: Debt to Asset Ratio has a negative and significant effect on the level of ISR disclosure in Islamic banks in Indonesia

The relationship between temporary shirkah funds and ISR disclosure

Based on the stakeholder theory, the large number of stakeholders owned by the company is considered to be sufficient to encourage Islamic banks to carry out ISR disclosure. This is because stakeholders who have great positions of power are considered to be able to control the availability of resources in the operational activities of Islamic banks. The greater the ability of stakeholders in an Islamic bank, the more they can encourage the disclosure of ISR. If the ratio of the Temporary Shariah Fund is high, Islamic banks will be diligent in fulfilling the wide disclosure of ISR as a form of accountability to stakeholders (Mukhibad & Fitri, 2020) (or, as it can be said, that they are customers). So, the Temporary Syirkah Fund is suspected to have a positive effect on the level of ISR disclosure. The hypothesis is formulated as follows (Khasanah & Yulianto, 2015):

H5: The Temporary Syirkah Fund has a positive and significant effect on the level of ISR disclosure in Islamic banks in Indonesia

RESEARCH METHODS

This research employs a quantitative approach, utilizing panel data regression to analyze both time series and cross-sectional data. The time series data covers a period of 6 years, from 2016 to 2021, while the cross-sectional data involves multiple Islamic banks. The data for this study is sourced from annual reports available on the official websites of Islamic Banks in Indonesia for the years 2016 to 2021. The objective of using panel data regression analysis is to identify the factors influencing profitability, bank size, bank age, debt to asset ratio, and temporary syirkah funds on the disclosure of Islamic Social Reporting in Indonesian Islamic banks during the 2016-2021 period (Basuki & Prawoto, 2016). The analysis is conducted both individually and collectively, as outlined in the following equation:

$$ISR = \beta_0 + \beta_1 \mathrm{PROFIT} + \beta_2 \mathrm{SIZE} + \beta_3 \mathrm{AGE} + \mathrm{e} \quad (2)$$

ISR : Islamic Social Reporting

β0 : Constant

β1, β2, β3 : Regression coefficient

PROFIT : The company's profitability as measured by ROA is the ratio of total profit after tax to total assets

SIZE : Natural Logarithm of Total Assets of Islamic Commercial Banks in ASEAN

AGE : the age of the bank measured from the year of establishment to the year of obsession

e : error coefficient

The sampling technique used is purposive sampling. The sample criteria are Islamic banks in Indonesia that were operational during the study period (2016-2021) and Islamic banks in Indonesia that have complete annual reports published on their official websites during the 2016-2021 period.

Definition Operational

Table 1. Operational Definition

Variable	Definition	Formula
Islamic Social Reporting	ISR disclosure is conducted using a disclosure index based on the study by Haniffa and Hudaib (2007). The disclosure includes 46 items in 8 categories: vision and mission statements, BOD and top management, zakat loans, charity and benevolence, debtors, employees, community, and the Sharia Supervisory Board. Each indicator is scored with 1 if disclosed in the annual report of the Islamic bank, and 0 if not, with a maximum score of 46. The ISR disclosure level is calculated by comparing the total score obtained with the total number of ISR indicator items. The higher the ISR score, the higher the level of ISR disclosure.	$ISR = \frac{Total\ Score\ each\ bank}{Total\ score\ item\ ISR}$
Profitability	Profitability is the performance and expertise of an Islamic bank in generating profit after tax from its operations. Profitability can be measured using ratios. In this study, profitability will be proxied by the ROA ratio.	ROA: $\frac{Corporate\ net\ profit\ after\ tax}{Total\ asset\ of\ the\ company}$
Bank Size	The total assets of an Islamic bank indicate the size of the bank. Bank size is proxied by the natural logarithm of the total assets of the Islamic bank. The natural logarithm is used to transform data with a non-normal distribution.	*Bank Size = ln (total asset)*
Bank Age	The calculation of a bank's age is determined by how long the bank has been officially operating. The longer a bank has been in operation, the more experience it is likely to have in achieving better performance. In this study, the age of the bank is measured by subtracting the year it was officially declared operational from the year being observed.	*Bank Age = Year of research observation – Year the Islamic bank officially began operating.*
Debt to asset ratio	Debt to Asset Ratio (DAR) is the level of a bank's debt that affects the management of the bank's assets. DAR is measured by comparing the total debt to the total assets of the bank.	$DAR = \frac{Total\ debt}{total\ asset}$
SFR	Temporary syirkah funds refer to the activity of collecting funds from parties with surplus funds, using the mudharabah and musyarakah contracts in Islamic bank accounting.	$SFR = \frac{\sum TEMPORARY\ SYIRKAH\ FUND}{\sum Total\ pasiva}$

Sources: Author (2023)

RESULT AND ANALYSIS

Table 2. Statistical Description

	ISR	ROA	SIZE	AGE	DAR	SYIRKAH
Mean	0.819259	0.013791	29.95785	11.83333	0.369704	4.198537
Maximum	0.930000	0.135800	31.75300	29.00000	0.935000	15.67200
Minimum	0.730000	-0.107700	28.11600	3.000000	0.050000	0.742000
Std. Dev	0.036748	0.042868	0.896530	6.169768	0.332267	3.666626

Source: Eviews Processed Data 12 (2023)

The ISR variable explains that an average value of 0.81 means that the average Islamic bank in Indonesia discloses 81% of the ISR activity in this study. The standard deviation of the ISR variable is 0.036. The maximum value of the ISR variable is 0.93. The minimum value of the ISR variable is 0.73. The profitability variable, which is proxied with ROA (Return on Assets), explains the average ROA of 0.013, which means that the average ROA value in Islamic banks in Indonesia is 0.13%. The standard deviation of the ROA variable is 0.042. The maximum value of the ROA variable is 0.135. The minimum value of the ROA variable is -0.107. In the bank size variable proxied with SIZE, the average bank size value is 11.83, which means that the average size value of Sharia banks in Indonesia is 1.18%. The standard deviation of the variable of bank size is 0.89. The maximum value of the variable bank size is 31.75. The minimum value of the variable bank size is 28.11. In the bank age variable proxied with AGE, the average age value of the bank is 29.95, which means that the average age value of Sharia banks in Indonesia is 2.99%. The standard deviation of the bank age variable is 6.16. The maximum value of the bank age variable is 29. The minimum value of the variable age of the bank is 3. The Debt to Asset ratio variable proxied with DAR explains the average DAR value of 0.369, which means that the average DAR value in Indonesia is 36.9%. The standard deviation of the DAR variable is 0.33. The maximum value of the DAR variable is 0.935. The minimum value of the DAR variable is 0.05. The variable of the Temporary Shariah Fund which is proxied with SYIRKAH explains the average value of the Temporary Shariah Fund of 4,198 which means that the average value of the Temporary Shariah Fund in Indonesia is 419.8%. The standard deviation of the variable of the Temporary Syirkah Fund is 3.66. The maximum variable value of the Temporary Syirkah Fund is 15.67. The minimum variable value of the Temporary Syirkah Fund is 0.742.

Table 3. Chow Test

Effect Test	Statistics	d.f	Prob.
Cross-section F	14.381738	(8,40)	0.0000
Cross-section Chi-square	73.164242	8	0.0000

Source: Eviews Processed Data 12 (2023)

Based on the results of the Chow Test, it was stated that the probability of cross-section F was 0.0000<0.05 or 5%, so the H o statement was rejected. Therefore, it can be concluded that the best model for use is the Fixed Effect Model (FEM).

Table 4. Hausman Test

Test Summary	Chi-Sq. Statistics	Chi-Sq. D.F.	Prob.
Cross-section random	50.746768	5	0.0000

Source: Eviews Processed Data 12 (2023)

Based on the results of the Hausman Test, it was stated that the probability of the Cross-section random was 0.0000<0.05 or 5%, so the Ho statement was rejected. So, the best model for use is the Fixed Effect Model.

Fixed Effect Model *(FEM)* Panel Data Regression

Table 5. Fixed Effect Model *(FEM)* Panel Data Regression

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ROA	0.113554	0.125839	0.902371	0.3723
SIZE	-0.012900	0.014473	-0.891302	0.3781
AGE	0.014676	0.001988	7.383041	0.0000
DAR	0.060156	0.030014	2.004296	0.0518
SYIRKAH	0.005873	0.002240	2.621837	0.0123
C	0.983591	0.420705	2.337960	0.0245

Source: Eviews Processed Data 12 (2023)

According to the results of the panel data regression analysis test in table 4.5 above, the regression model equation can be written as follows:

$$\mathbf{ISR = 0.983591 + 0.113554ROA - 0.012900SIZE + 0.014676AGE + 0.060156DAR + 0.005873SYIRKAH}$$

Based on the equation, it can be concluded that:

The analysis of various variables impacting the disclosure of Islamic Social Responsibility (ISR) by Islamic banks in Indonesia reveals interesting findings. Firstly, maintaining the independent variable constant, the disclosure of ISR has seen an increase of 0.983591. Regarding the profitability variable measured by Return on Assets (ROA), the coefficient result is 0.113554, indicating that a one percent increase in ROA can reduce ISR disclosure by 11.3% when other independent variables remain fixed. However, the t-statistical probability of 0.3723 suggests that ROA is not a significant determinant of ISR disclosure.

Regarding bank size, the coefficient of -0.012900 implies that a one percent increase in bank size results in a 1.29% decrease in ISR disclosure with a t-statistical probability of 0.3781, indicating its insignificance. On the other hand, the bank age variable shows a coefficient of 0.014676, meaning a one percent increase in bank age can boost ISR disclosure by 1.4%. This relationship is significant, as reflected by a t-statistical probability of 0.0000, indicating a positive and significant effect of bank age on ISR disclosure.

The debt to asset ratio variable has a coefficient of 0.060156, suggesting a one percent increase can enhance ISR disclosure by 6%. Nonetheless, with a t-statistical probability of 0.0518, this variable is not statistically significant in affecting ISR disclosure. Finally, the temporary Shariah fund variable shows a coefficient of 0.005873, meaning a one percent increase in this variable can improve ISR disclosure by 0.5%. The t-statistical probability of 0.0123 highlights its positive and significant impact on ISR disclosure.

Test F Statistics

Table 6. Test F Statistic and R-Square

F-stats	12.98201	R-squared	0.808398
Prob(F-stats)	0.000000	Adjust R-squared	0.746127

Source: Eviews Processed Data 12 (2023)

The result shows the probability of the F-statistic of 0.0000<0.05 with the F-statistic of 12.98201. Based on the F-statistical test, it rejected Ho and accepted H1. The variables of profitability, bank size, bank age, debt-to-asset ratio, and temporary shirkah funds were concluded to affect ISR disclosure significantly. The result of R2 is 0.808398 units, which shows that 80.8% of the independent variables can describe the dependent variable, and 19.2% of the other variables are unrelated to this study.

Discussion

The study investigated the effect of bank profitability on Islamic Social Reporting (ISR) disclosure, using Return on Assets (ROA) as a proxy for profitability. The analysis revealed a positive but statistically insignificant relationship between ROA and ISR disclosure. This outcome indicates that while there is a slight positive correlation between profitability and the extent of ISR disclosure, the relationship is not strong enough to be considered significant.

The implication is that Islamic banks in Indonesia, regardless of their profitability levels, are mandated to engage in ISR disclosure as part of their commitment to social and environmental responsibilities. The study highlights that ISR practices are guided more by ethical and regulatory frameworks rather than by financial performance. This finding aligns with the Islamic perspective, which prioritizes adherence to social and environmental commitments over mere financial success. Consequently, Islamic banks are required to maintain their ISR disclosure practices consistently, irrespective of whether they are experiencing high or low profitability. This reinforces the view that ISR disclosure is a fundamental aspect of the banks' operational ethos and is not contingent upon their financial performance (Arianugrahini & Firmansyah, 2020).

The research also explored the impact of bank size on ISR disclosure, measured by the natural logarithm of total bank assets. The results demonstrated a negative and statistically insignificant effect of bank size on ISR disclosure. This finding challenges the assumption that larger banks, with more substantial resources and capabilities, are necessarily more proficient in ISR disclosure.

The data suggests that the size of the bank does not significantly influence the quality or extent of ISR reporting. Regardless of whether a bank is large or small, the responsibility to engage in ISR disclosure remains unchanged. This observation supports the notion that ISR obligations are independent of a bank's size, emphasizing that all banks, irrespective of their scale, must fulfill their social responsibilities. This finding contrasts with agency theory, which might suggest that larger banks, which face higher agency costs, would be more inclined to enhance their disclosure practices. Instead, the study confirms that ISR obligations are a fundamental aspect of a bank’s commitment to social responsibility and are not dictated by a bank’s size (Sellami & Tahari, 2017).

The age of the bank, defined by the number of years it has been in operation, was found to have a positive and statistically significant impact on ISR disclosure. Older banks are more likely to engage in comprehensive ISR practices, reflecting a deeper commitment to social responsibility over time.

This result is consistent with legitimacy theory, which posits that established institutions with accumulated experience and reputation are more likely to adhere to social values and engage in detailed ISR disclosure. The longevity of a bank often corresponds with its stability and maturity, which in turn enhances its commitment to social and environmental responsibilities. As banks age, their experience and established reputation encourage them to provide more detailed and transparent ISR to maintain their legitimacy and garner positive feedback from stakeholders. Thus, the study highlights that older banks are generally more diligent in their ISR practices, showcasing a higher level of commitment to socially responsible practices (Hajawiyah et al., 2019).

The analysis of the debt to asset ratio, which measures the proportion of a bank's debt relative to its assets, showed a positive but statistically insignificant effect on ISR disclosure. This finding suggests that variations in the debt ratio do not significantly impact the extent of ISR disclosure.

The results challenge stakeholder theory, which might predict that higher levels of debt would lead to increased ISR disclosure due to greater stakeholder scrutiny. However, the study concludes that the bank’s debt levels do not influence ISR disclosure obligations.

This indicates that ISR practices are primarily driven by the banks' inherent social responsibility commitments rather than by financial leverage. Despite changes in debt levels, the core responsibility of Islamic banks to disclose ISR information remains intact, reflecting a fundamental aspect of their operational and ethical standards (Mukhibad & Fitri, 2020).

Lastly, the study examined the effect of temporary shariah funds on ISR disclosure, which represent the amount of investment funds held by the bank. The results indicated a positive and statistically significant effect, suggesting that banks with substantial Shariah funds are more likely to engage in extensive ISR practices. This finding supports stakeholder theory, which argues that a higher number of stakeholders, as indicated by significant shariah funds, can drive increased ISR disclosure. Substantial temporary shariah funds signify a strong commitment to social responsibility, as these funds are closely linked to the bank's obligation to its stakeholders. Therefore, banks with greater shariah funds are more likely to fulfill their ISR obligations comprehensively, reflecting a deeper engagement with their social responsibilities and stakeholder expectations (Mukhibad & Fitri, 2020).

CONCLUSION

This study explored the impact of various factors—profitability, bank size, bank age, debt-to-asset ratio, and temporary shariah funds—on Islamic Social Reporting (ISR) disclosure in Islamic banks in Indonesia from 2016 to 2021. The results reveal that while bank age and temporary shariah funds significantly influence ISR disclosure, profitability, bank size, and debt to asset ratio do not have a significant effect. This indicates that ISR practices are strongly driven by the bank's longevity and the extent of shariah funds rather than its financial performance or size. The findings suggest that ISR disclosure is influenced more by a bank's age and the amount of temporary shariah funds it holds. Older banks, with their established operational history, and banks with substantial shariah funds are more likely to engage in comprehensive ISR practices. This underscores the importance of long-term commitment and stakeholder engagement in enhancing ISR practices. Despite the lack of significant individual impact from profitability, bank size, and debt ratio, these factors collectively affect ISR disclosure, emphasizing the multifaceted nature of social responsibility reporting.

Future research could delve into several areas to further enrich understanding. Additional variables such as regulatory changes, market competition, and corporate governance could provide a more holistic view of ISR determinants. Comparative studies across different countries or regions might reveal whether the observed effects are unique to Indonesia or applicable more broadly, potentially offering insights into varying regulatory environments and socio-economic conditions. Extending the study to cover a longer time frame could uncover trends and patterns in ISR disclosure, particularly in response to major financial or regulatory shifts.

The implications of this study are significant for policymakers, banks, investors, and academics. Policymakers should consider factors beyond profitability and bank size when designing ISR regulations, focusing on long-term commitment and stakeholder engagement to enhance reporting frameworks. For Islamic banks, recognizing the importance of bank age and shariah funds can guide strategic decisions, which emphasizes the need to strengthen stakeholder relationships and operational stability. Investors and stakeholders can use these insights to make more informed decisions and evaluate banks based on their commitment to ISR rather than just financial metrics. Academically, this study contributes empirical evidence to the literature on ISR disclosure in Islamic banks, offering a foundation for future research and theoretical development. Additionally, educators and trainers in finance can leverage these findings to develop programs that enhance the understanding and implementation of ISR practices.

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