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# Determinant Islamic Social Reporting(Isr) In Companies Registered In Jakarta Islamic Index 70 (Jji 70)

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**Abstract**

*This study aims to obtain empirical evidence regarding the effect of company size, profitability, and leverage on Islamic social reporting (ISR). The population in this study uses the Jakarta Islamic Index 70 (JII 70) sector. Sampling technique using Purposive Sampling. Methods of data analysis using Panel Data Regression Analysis. The results of the study show that company size has a negative effect on Islamic Social Reporting (ISR). Profitability (ROA) has no effect on Islamic Social Reporting (ISR), Leverage (DER) has no effect on Islamic Social Reporting (ISR).*

**Keywords: Firm Size, Profitability, Leverage, Islamic Social Reporting (ISR)**

## INTRODUCTION

Companies are not only expected to pay attention to the concept of a single bottom line solely in the form of company values or financial records, but companies have a social responsibility towards the community related to their business operational activities including economic (profit), social (people), and environmental (planet) or ordinary aspects. called the triple bottom line (3P) which is manifested in the form of Corporate Social Responsibility (CSR). However, since the launch of ISO 26000 in early November 2010 by the International Organization for Standardization (ISO) regarding Guidance on Social Responsibility, the triple bottom line component has been added to the procedure aspect. (Fauziah and Yudho, 2013).

The concept of Corporate Social Responsibility (CSR) is now not only developing in the conventional economy, but also developing in the Islamic economy. One type of business that runs its business with the basic principles of Islamic economics is Islamic banking. A special framework for social responsibility reporting that complies with shari'ah principles is known as Islamic Social Reporting which not



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only assists Muslim decision-making, but also helps Islamic companies in fulfilling their obligations to Allah SWT and society. (Arry and Hakim, 2018)

ISR was first put forward by Haniffa (2002) in his research entitled "Social Reporting Disclosure: An Islamic Perspective, then developed more extensively by Othman (2009) in Malaysia. According to Haniffa (2002) there are many limitations in conventional social reporting, so he put forward a conceptual framework for Islamic Social Reporting based on sharia provisions.

Fitria and Hartanti (2010) reveal that specifically the ISR index is an extension of social reporting which includes people's expectations not only regarding the company's role in the economy, but also the company's role in a spiritual perspective. In addition, the ISR index also emphasizes social justice related to reporting on the environment, minority rights and employees. There are six themes in the ISR index (Haniffa, 2002):

a. **Finance and Investment Theme**
   The basic concept of this theme is monotheism, halal & haram, and obligatory. According to Haniffa (2002), some of the information disclosed on this theme is activities that contain usury, activities that contain gharar, and zakat. Riba comes from Arabic which means addition (Al-Ziyadah), growing (An-Nuwuw), increasing (Al-Irtifa'), and growing (Al-'uluw).
b. **Product and Service Themes**
   Aspects that need to be disclosed in this theme are DPS statements regarding the halal status of products and services, the definition of each product, and services for customer complaints (Haniffa and Hudaib, 2007).
c. **Employee Theme**
   The basic concept underlying this theme is the ethics of trust and justice. Employees must be treated fairly and paid fairly. In addition, employers must also fulfill their obligations to employees in terms of their spiritual needs (Haniffa, 2002 in Raditya, 2012).
d. **Community Theme**
   The basic concepts underlying this theme are ummah, amanah, and adl, which emphasize the importance of sharing and lightening the burdens of society. Forms of sharing and helping each other for Islamic banks can be done with alms, endowments, and qardhassan (Haniffa, 2002 and Othman et al, 2009).
e. **Environmental Theme**
   The concepts underlying this theme are mizan, i'tidal, khilafah, and Akhirah. These concepts emphasize the principles of balance, simplicity, and responsibility in protecting the environment. Islam teaches its people to always protect, maintain and preserve the earth. God provides the earth and all of its contents including the


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environment for humans to manage without having to destroy it. But human nature's greed has corrupted this environment.

**f. Corporate Governance Theme**

The concept underlying this theme is the concept of the caliphate. This is in accordance with the word of Allah QS Al-Baqarah: 30 as follows: Remember when your Lord said to the Angels: "Verily I want to make a caliph on earth." They said: "Why do you want to make (the caliph) on earth someone who will make damage to him and shed blood, even though we always exalt you by praising you and purify you?" God said: "Indeed, I know what you do not know."

According to Chariri (2008), explained that the higher the profitability, the company will be more extensive in disclosing information including information about Islamic social responsibility.

According to Harahap (2010), leverage is a comparison between liabilities and assets, leverage measures how far a company is financed by debt. Leverage relates to how the company is funded.

Jakarta Islamic Index 70 (JII70) is a stock that is still relatively new, because it was only launched in May 2018, therefore this research is interesting to study. The existence of these varied research results indicates that there is a research gap in similar research. so this research tries to review "The Influence of Company Size, Profitability, and Leverage on Disclosure of Islamic Social Reporting of Companies Registered in the Jakarta Islamic Index 70 (JII70)"

Formulation of the problem

1. Does Company Size affect Islamic Social Reporting?
2. Does Profitability affect Islamic Social Reporting?
3. Does Leverage affect Islamic Social Reporting?

## LITERATURE REVIEW AND RESEARCH HYPOTHESIS

### Stakeholder Theory

Stakeholder theory says that a company is not an entity that only operates for its own sake, but provides benefits for its stakeholders. The assumption of stakeholder theory is built on the basis of the statement that companies are growing very rapidly and causing society to become very involved and pay attention to companies, so companies need to show accountability and responsibility more broadly and not be limited to shareholders.


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**Islamic Social Reporting**

In determining the Islamic Social Reporting index, namely by content analysis on a company's report by providing items contained in the disclosure of social responsibility.

**Company Size**

Company size is the level of identification of the size of a company. The larger the size of the company, the greater the information available to investors in making decisions regarding investment in the company (Siregar and Utama, 2005).

**leverage**

The ratio used to measure the proportion of the use of debt to finance company investments with a high level of significance is leverage. The greater the company's leverage, the greater the risk of company failure. This high risk indicates that there is a possibility that the company will not be able to pay off its obligations or debts, either in the form of principal or interest.

**Profitability**

Profitability is one indicator of a company's success in generating profits so that the higher the profitability, the higher the company's ability to generate profits for the company. Profitability is a company's ability to generate profits at a certain level of sales, assets and share capital.

**Research Hypothesis**

**Effect of Company Size on Islamic Social Reporting (ISR).**

Based on previous research by Othman et al. (2009), this study suspects that larger companies will tend to make ISR disclosures more broadly. Research by Aditya Dharmawan Krisna and Novrys Suhardianto in 2016 showed that company size has a negative effect on Islamic Social Reporting.

**H1: Company size has a negative effect on Islamic Social Reporting.**

**The Effect of Profitability on Islamic Social Reporting (ISR).**

The economic performance of a company is synonymous with profitability. Profitability is the company's ability to gain profit from its business. Companies that are increasingly profitable will try to attract the attention of investors by showing the extent of information disclosed in social responsibility reports.

**H2: Profitability has a negative effect on Islamic Social Reporting.**



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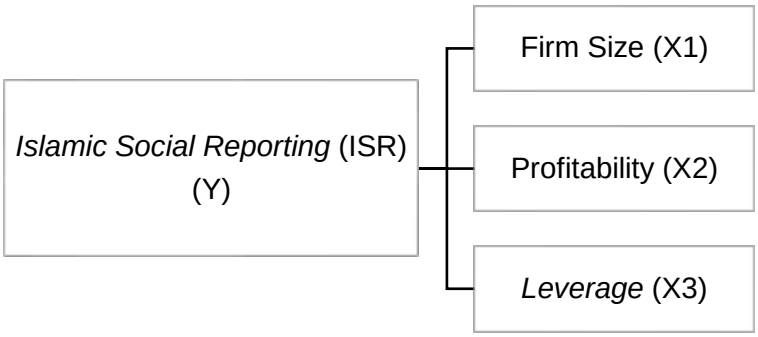
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**The Effect of Leverage on Islamic Social Reporting (ISR).**

leverage is the ratio used to measure the extent to which a company's assets are financed by debt. In research (Nur Abdi Pratama, 2018) Nur Abdi Pratama, Saiful Muchlis and Idra Wahyuni in 2018, stated that leverage had a positive and significant effect on the level of disclosure of Islamic Social Reporting. Based on the description and results of previous studies, the hypothesis can be formulated as follows:

**H4: Leverage has a positive effect on Islamic Social Reporting**

**Conceptual framework**




**RESEARCH METHODOLOGY**

This research design is a quantitative research that emphasizes on testing theories through measurement. Research variables with numbers and perform data analysis with statistical procedures. The quantitative approach is a scientific approach to managerial and economic decision-making that aims to obtain evidence of a causal relationship or the influence of research variables.

**Operational Definitions and Research Variable Measurements**

The operational definition of variables is research variables intended to understand the meaning of each research variable before analysis, instruments, and sources of measurement come from. The following identifies the operational definitions of the variables in this study:

**Table 3.1 Definition and Measurement of Variables**

| Variables | Operational definition | Indicator | Scale |
|---|---|---|---|
| Firm Size | Company size is a value that describes | Determination of company size is based | Ratio |


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| | | | |
|---|---|---|---|
| | the size of a company as measured by the size of the assets owned by the company | on the company's total assets.<br>Size = Log (Total Assets) | |
| Profitability | Profitability is a ratio to assess the company's ability to make a profit | Measured using Return on Total Assets (ROA).<br>Roa = (Earning After Interest and Tax (EAT) / Total Assets) x 100% | Ratio |
| leverage | Leverage is a ratio that measures how far or how much a company has been funded or financed by debt | Measured using the Debt to Equity Ratio (DER).<br>DER = (Total Debt / Equity) x 100% | Ratio |
| *Islamic Social Reporting* | ISR is an accountability reporting of corporate social activities based on Islamic principles | Measured using an index based on indicators: financing and investment, products and services, employees, society, environment and corporate governance. | Ratio |

(Source: Data processing, 2022)

**Population and Sample**

**Population**

The population is the total number consisting of objects or subjects that have certain characteristics and qualities determined by the researcher and then conclusions are drawn.The population of this study are all companies whose shares are listed in the Jakarta Islamic Index 70 (JII70) on the Indonesia Stock Exchange (IDX) which actively report and publish their financial reports during the 2019 – 2021 period, amount 70 companies.

**Sample**

The sample is part of the population being studied/observed and is considered to be able to describe the condition or characteristics of the population. Withdrawal of this research sample by purposive sampling technique, namely sampling based on certain considerations.



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The sample in this study are companies registered on the Jakarta Islamic Index 70 (JII70) during the 2021 period with the following sample selection criteria:

a. Companies registered in the Jakarta Islamic Index 70 (JII70) for the period 2019 – 2021.
b. Jakarta Islamic Index 70 (JII 70) companies that publish financial reports for the period 2019 – 2021
c. Jakarta Islamic Index 70 (JII 70) companies that earn profits for the 2019 – 2021 period.

**Panel Data Regression Model Estimation**

Panel data regression generally has three alternative models that can be used, namely Common Effect Models (CEM), Fixed Effect Models (FEM) and Random Effect Models (REM). To determine which model is the best among the CEM, FEM or REM models, it is necessary to carry out several further analysis techniques.

**a. Chow test**, chow test to determine the model between CEM or FEM as a better model estimate. If the probability value of the test is <0.05 (significant), then the FEM model is selected.
**b. Hausman test**, Hausman test to determine between FEM and REM as a better estimation model. If the test probability value is > 0.05 (significant), then the REM model is selected.
**c. The Lagrange Multiplier** test is used to choose the model to use, whether it is better to use the Random Effect Model (REM) or the Common Effect Model (CEM). This tester can be seen at the Breush-pagan probability value with the following hypothesis: if H0: The model follows the Common Effect Model (CEM) if the Breush-pagan Cross-Section probability value > α (0.05) and if Ha: The model follows the Random Effect Model (REM) if the Breush Cross-Section probability value - pagan α < (0.05).

**Hypothesis testing**

The F test is used to explain whether all the independent variables included in the model jointly have an influence on the related variable or in other words the model is fit or not, if the F test has no effect then the research is not feasible to continue because the research model is unable to explain a relationship. between independent and dependent variables. The criteria for decision making based on Solvability are as follows:

H1: If the Prob value (F statistic) < t table
Ha: if t-statistic value > t table


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If the statistical values <t are thick, then H0 is accepted, which means that independent (X) partially has no effect on variable (Y). But it's best if the value of the t statistic > table then Ha is accepted meaning that the independent variable (X) has a special effect on the variable (Y).
Based on probability:
H0: if the Prob value > a 0.005
Ha: if the Prob value < a 0.005
If the Prob value > a 0.005 then H0 is accepted, which means that the independent variable (X) partially does not affect the independent variable (Y) but vice versa, if the Prob value < a 0.005 then Ha is accepted, which means the independent variable (X) partially affects the variable dependent (Y).

**Determinant Coefficient Test (R2)**

The coefficient of determination is one of the statistical values that can be used to determine whether there is an influence relationship between two variables. The value of the coefficient of determination shows the presentation of the variation in the value of the dependent variable which can be explained by the resulting regression equation. The magnitude of R2 is zero to one. The closer to zero, the greater the value of R2, the smaller the influence of all independent variables on the value of the dependent variable. Conversely, the closer to the number one, the greater the magnitude of R2, the greater the influence of all independent variables on the dependent variable.

**T test**

The results of the t test explain the significant influence of the independent variable partially on the dependent variable. The hypothesis in the t test is:
Based on the comparison of t statistics with t-table
H0: if the t statistic value < t table
Ha: if the value of t statistic > t table
Based on probability
H0: If the probability value is > 0.05
Ha: if the probability value < 0.05

**Panel Data Regression Analysis**

Panel data is a combination of time series data and cross section data. Panel data regression analysis is a collection of data from several samples observed over a certain period of time. Panel data regression equation
$Y = a + \beta1X1 + \beta2X2 + \beta3X3 + e$ (1)


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Information:

Y = Islamic Social Reporting
a = Constant
β1X1 = Firm Size
β2X2 = Profitability
β3X3 = leverage
e = term error

## DISCUSSION

Panel Data Regression Model Estimation

### a. Chow test

**Table 2 Results Chow test**

Redundant Fixed Effects Tests
Equation: EQ01
Test cross-section fixed effects

| Effects Test | Statistic | d.f. | Prob. |
|---|---|---|---|
| Cross-section F | 0.957798 | (45,89) | 0.5546 |
| Cross-section Chi-square | 54.500326 | 45 | 0.1568 |

(Source: Data processing, 2022)

Based on the results of the Chow test, it shows a probability value of 0.5546 where > 0.05, so the best model used is CEM.

### b. Hausman test

**Table 3 Results Hausman test**

Correlated Random Effects - Hausman Test
Equation: EQ01
Test cross-section random effects

| Test Summary | Chi-Sq. Statistic | Chi-Sq. d.f. | Prob. |
|---|---|---|---|
| Cross-section random | 3.160299 | 3 | 0.3676 |

(Source: Data processing, 2022)

Based on the results of the Hausman test, it shows a probability value of 0.3676 > 0.05, so the best model used is REM.


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**c. TestLagrange Multiplier**

**Table 4 Results Lagrange Multipliers test**

Lagrange Multiplier Tests for Random Effects
Null hypotheses: No effects
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives

| | Test Hypothesis | | |
|---|---|---|---|
| | Cross-section | Time | Both |
| Breusch-Pagan | 134.9088 (0.0000) | 1.526347 (0.2167) | 136.4351 (0.0000) |

(Source: Data processing, 2022)

Based on the calculation above, the Breausch-pagan cross-section probability value is 0.0000 <0.05, so the model used is REM.

**CONCLUSION PANEL DATA REGRESSION MODEL**

Based on the results of the three tests that have been carried out, it can be concluded that the Panel Data Regression Model that will be used in the Hypothesis Test and the Panel Data Regression equation is the Random Effect Model (REM).

**Hypothesis Test Results**

**Statistical Test F (Model Feasibility Test)**

**Table 5 F test results**

| | |
|---|---|
| F-statistics | 2.942894 |
| Prob(F-statistic) | 0.000004 |

(Source: Data processing, 2022)

Based on the research results it is known that the F-statistic value is 2.942894. While the F table is 2.81. This the F statistic is 2.942894 > 2.81 and the significance value of the Prob (F-statistic) is 0.000004 <0.05. Thus, Company Size (SIZE), Profitability (ROA), and Leverage (DER) have an effect on Islamic Social Reporting.

**TEST Coefficient of Determination R2**

**Table 6 Determination Coefficient Results**

| | |
|---|---|
| R-squared | 0.027073 |

**(Source: Data processing, 2022)**

The research results show that the Adjusted R-square value is 0.027073 or 2.7%. This shows that company size, profitability, and leverage contribute 2.7% to


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Islamic Social Reporting. While the remaining 97.3% is influenced by other variables not examined in this study.

**Statistical Test T**

**Table 7 T test results**

| Variables | coefficient | std. Error | t-Statistics | Prob. |
|---|---|---|---|---|
| C | 0.267611 | 0.032989 | 8.112200 | 0.0007 |
| SIZE | -0.003779 | 0.002033 | -1.858712 | 0.0253 |
| ROA | -0.001724 | 0.033791 | -0.051024 | 0.9594 |
| DER | 0.023988 | 0.033200 | 0.722535 | 0.4712 |

The results of the T-Test equation analysis above show that Firm Size (SIZE) has a negative effect on Islamic Social Reporting with results t statistics SIZE (-1.858712) > t Table (1.684) and prob value. 0.0253 < 0.05. While Profitability (ROA) has no effect on Islamic Social Reporting with results t statistics Profitability (ROA) (-0.051023) < t Table (1.684) and prob. 0.9594 > 0.05. And Leverage (DER) has no effect on Islamic Social Reporting with the results of t statistical leverage (DER) (0.722535) < t table (1.684) and the prob value. 0.4712 > 0.05.

**The Effect of Firm Size on Islamic Social Reporting**

From the results of the analysis above, it shows that Company Size (SIZE) has a negative effect on Islamic Social Reporting with the value of t statistic SIZE (1.858712) > t Table (1.684) and the prob value. 0.0253 < 0.05. This means that in this case the bigger the company, the more extensive the company's Islamic Social Reporting tends to be.

The results of this analysis are different from the research by Aldehita (2014), Kariza (2013), Lestari (2014), Raditya (2012), Yuyetta (2012), and Widiawati (2012) which show that company size has a positive influence on Islamic Social Reporting, although the results of Aldehita's research (2014) showed insignificant results.

**Effect of Profitability (ROA) on Islamic Social Reporting**

From the results of the analysis above, it shows that this research proves that profitability has no effect on Islamic Social Reporting. with nProfitability statistical t value (ROA) (-0.051023) <T Table (1.684) and prob value. 0.9594 > 0.05. This means that companies that have high profitability do not necessarily disclose Islamic Social Reporting because companies are more profit-oriented and management is more interested in focusing on financial information only.


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This result is in accordance with Ari's (2016) previous study which stated that ROA had no proven effect on Islamic Social Reporting. Research by Aldehita (2014), Kariza (2013), Lestari (2014), Raditya (2012), Yuyetta (2012), and Widiawati (2012) showed that company size has a positive influence on Islamic Social Reporting.

**Effect of Leverage (DER) on Islamic Social Reporting**

The results of the analysis above show that leverage has no effect on Islamic Social Reporting. With the t value of statistical leverage (DER) (0.722535 < t table (1.684) and the prob. value of 0.4712 > 0.05. This means that companies with high levels of leverage do not necessarily disclose Islamic Social Reporting widely, companies prefer to pay debts to creditors rather than pay for Islamic Social Reporting.

Research by Lestari (2014) and Dewi (2012) shows that leverage, which shows the ratio of corporate debt, has a positive direction of influence on Islamic Social Reporting, although the results of research by Dewi (2012) show significant results.

## CONCLUSION

The conclusions of this study are as follows:

1. Company size has a negative and significant influence on Islamic Social Reporting.
2. Profitability has no significant effect on Islamic Social Reporting.
3. leverage does not have a significant effect on Islamic Social Reporting.

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