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THE INFLUENCE OF SHARIA FINANCIAL PERFORMANCE TOWARDS ISLAMIC SOCIAL REPORTING WITH ISLAMIC CORPORATE GOVERNANCE AS A MODERATE VARIABLE

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Abstract

This study examine to retest the influence of Sharia Financial Performance towards Islamic Social Reporting with Islamic Corporate Governance as a moderate variable (empirical study on Indonesia Islamic Commercial Bank from 2014-2021). The hypothesis examine by using MRA regression and panel data regression. The population in this research are all the Islamic Commercial Banks that listed on OJK from 2014-2021. The sampling methods that used in this research is purposive sampling and could manage to obtained 96 sample from 12 Islamic Commercial Banks. The results shows that: (1) Return On Assets, Capital Adequacy Ratio, and Debt to Equity Ratio did *not influenced the Islamic Social Reporting; (2) Financing to Debt Ratio influenced the disclosure did Islamic Social Reporting; and (3) Board of Commissioner could influenced Return On Assets towards deepening of Islamic Social Reporting, Islamic Supervisory Board could be moderating Return On Assets, Financing to Debt Ratio and Capital Adequacy Ratio towards strengthening Islamic Social Reporting, While the age of the companies could moderating Return On Assets, and Financing to Debt Ratio towards Islamic Social Reporting.*

Keywords: *Islamic Corporate Governance, Islamic Social Reporting, Sharia Financial Performance*

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INTRODUCTION

Islamic banking a major market segment and service that has grown rapidly since its inception in the mid-1970s. The rapid development of Islamic banks certainly urges researchers to reveal secrets, especially those releated to financial performance, governance and disclosure of their companies or institutions. Under signal theory, better company performance is likely to reveal more detailed reporting to financial services (Ben Abdallah & Bahloul, 2022). Based on the research results, it was found that the ISR coverage of sharia banks is still low, and the ISR coverage of Indonesian BUS in 2016 was 31%, and from 2016 to 2020, using a sample of 10 Indonesian BUS, the average ISR coverage was 43.18%, with these findings it certainly appears that in Indonesia in terms of ISR coverage it is still lacking because if you look at the large percentage from 2016-2020 it only increased by 12.8%, of course this is a problem that researchers are encouraging to reveal secrets, especially those related to the disclosure of ISR (Rosyidah & Nafif, 2022).

Shariah Enterprise Theory (SET), Signaling Theory, and Legitimacy Theory were used in this research. The reason for choosing the third theory is because previous research that provided the framework for this investigation both used this third theory. Researchers who used the same-type of theory ad this research include (Jati et al., 2020), (Mukhibad & Fitri, 2020), (Ben Abdallah & Bahloul, 2022), dan (So et al., 2021).

Islamic Social Reporting (ISR) disclosure has been the subject of previous research, some of which is cited as a reference in this article. The first research was conducted by (Jati et al., 2020), second, (Mukhibad & Fitri, 2020), *third*, (Afandy et al., 2021), fourth, (So et al., 2021), fifth, (Diansari et al., 2022), and sixth, (Ben Abdallah & Bahloul, 2022). However, despite the fact that many researchers used the same variables and research periods in previous studies, the findings were inconsistent. Some of the results of these studies were influenced by factors that varied or were inconsistently identified by different researchers. This is supported by the first (Jati et al., 2020), fourth (So et al., 2021), and fifth (Diansari et al., 2022) researchers who obtained different results for the leverage variable, the first researcher found that the results had no effect, while the fourth and fifth researchers found influential results.

Apart from that, for the profitability variable, differences were found in the results of the sixth researcher (Ben Abdallah & Bahloul, 2022) and other researchers who were used as references in this research, where the researcher (Ben Abdallah & Bahloul, 2022) found that the ratio of profitability, namely ROA, had an effect. negative, while the research results from the first researcher (Jati et al., 2020) and the fifth researcher (Diansari et al., 2022) revealed that ISR disclosure was not affected by ROA as a ratio of profitability. With this research gap, researchers are encouraged to carry out testing again.

This research contributes to previous studies in several ways. First, researchers integrated a number of variables from previous studies. However, what is different in this research is that the additional Islamic Corporate Governance (ICG) variable was used as a moderating variable. This was done by the researcher because the researcher wanted to see whether ICG could strengthen the independent variable or vice versa. Apart from that, using ICG as a moderating variable can certainly contribute to developing new models of financial performance, in this case it can strengthen and also weaken ISR disclosures so that it is beneficial for the development of science. Second, because this research contains samples starting from the 2014-2021 period, it adds to the development literature from previous research.

LITERATURE REVIEW

Shariah Enterprise Theory

Shariah Enterprise Theory put forward by Iwan Triyuwo (2006) states that everything in the world belongs to Allah and must be managed as well as possible by humans. Shariah enterprise theory also explains that every company has the aim of providing information, providing a sense of peace (salam), love (rahman), and affection (rahim) by stimulating the awakening of God consciousness (Iwan Triyuwono, 2006). Researchers use sharia company theory in this research because sharia banking, especially sharia commercial banks in Indonesia, must carry out their social obligations to society, where each social responsibility can be assessed from the disclosure of Islamic Social Reporting (ISR) through the Islamic Reporting Index. Previous research that both used sharia company theory was research conducted by (Jati et al., 2020) and (Mukhibad & Fitri, 2020).

Signaling Theory

Signaling Theory, put forward by Ros (1977), states that company executives who have better information about their company will be encouraged to convey this information to potential investors so that their company's share price increases (Stephen A. Ross, 1977). According to signal theory, better company performance will reveal more detailed reporting and vice versa (Ben Abdallah & Bahloul, 2022). Researchers use signal theory in this research, because sharia financial performance can be explained using signal theory. Signal theory has previously been used by researchers (Ben Abdallah & Bahloul, 2022).

Legitimacy Theory

Legitimacy Theory proposed by Dowling and Preffer (1975) explains that legitimacy theory is very useful in analyzing organizational behavior, because legitimacy is important for organizations, the boundaries emphasized by social norms and values, and reactions to boundaries. This encourages the importance of analyzing organizational behavior by paying attention to the environment (John Dowling & Jeffrey Preffer, 1975). This theory explains that if society believes that a company has violated a social agreement, the company's survival will be threatened (Mukhibad & Fitri, 2020). Previous studies that used stakeholder theory in their research- (Mukhibad & Fitri, 2020), (Jati et al., 2020), (So et al., 2021), and (Ben Abdallah & Bahloul, 2022).

Sharia Financial Performance

The process of implementing a company's financial resources is mainly measured by financial performance. Information can be obtained by examining the company's financial performance, such as how much the company's management is successful and provides benefits to society (Ichsan et al., 2021). Several financial performance indices used in this research include profitability (ROA), liquidity (FDR), capital (CAR) and leverage (DER).

Islamic Social Reporting (ISR)

The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), which compiles and determines standard social disclosure items, periodically uses ISR as a benchmark for implementing social responsibility (AAOIFI, 2015). Related disclosure items were further developed more extensively by researchers. that Islamic institutions must submit (Afandy et al., 2021). The six disclosure indicators included in the ISR index include: (1) Funding and Investment, (2) Products and Services, (3) Labor, (4) Social, (5) Environment and (6) Organizational Governance (Riyani & Uswati Dewi, 2018).

Islamic Corporate Governance (ICG).

Corporate governance in Sharia Financial Institutions, especially Islamic banking, by IFSB 03 in Guiding Principles On Corporate Governance For Institutions Offering Only Islamic Financial Services (Excluding Islamic Insurance (Takaful) Institutions And Islamic Mutual Funds) explains that Corporate governance in LKS is a set of organizational arrangements where management actions LKS is aligned, as far as possible with the interests of its stakeholders, providing appropriate incentives for governance organs such as the Board of Directors, DPS, and management to pursue goals that are in the interests of stakeholders, thereby encouraging LKS to use resources more efficiently, and compliance with rules and principles of Islamic Sharia (IFSB, 2006). It has also been explained that the main or core part of the ICG is the sharia board (Atiqah & Rahma, 2018). Islamic Corporate Governance (ICG) indicators which have a role in influencing management in disclosing corporate social responsibility, one of which is the Board of Commissioners (Mustika et al., 2022), the Sharia Supervisory Board (DPS) is one of the parties responsible for monitoring Islamic bank compliance (Afandy et al., 2021). Previous research using- Islamic Corporate Governance (ICG) in sharia banking includes first (Jati et al., 2020), second (Mukhibad & Fitri, 2020), and third (Afandy et al., 2021).

The Influence of Profitability on ISR Disclosure

Profitability is assessed using Return On Assets (ROA). This ratio is used because it is one of several profitability ratios that is often highlighted in the examination of financial statements. This is because ROA is seen as being able to show the success of a company in creating profits (Jati et al., 2020). It was found from the results of the sixth researcher (Ben Abdallah & Bahloul, 2022) that the ratio of profitability, namely ROA, had a negative effect, while the research results of the first researcher (Jati et al., 2020), and the fifth researcher (Diansari et al., 2022) found that the ratio of profitability namely ROA has no effect on ISR disclosure. In line with the explanation above, the following hypothesis can be put forward:

H1 : Profitability has a positive effect on ISR disclosure.

The Influence of Liquidity on ISR Disclosure

The Financing to Debt Ratio (FDR) ratio to measure liquidity is used in this research, because the use of FDR is related to the trade off that arises when measuring liquidity with FDR. When the FDR reaches 100%, the bank is considered to have good liquidity because it is able to channel its financing from the third fund collected. According to Kamil and Herusetya (2012) and Putra (2014) liquidity has no effect on ISR disclosure (Jati et al., 2020). Meanwhile, from previous research used as a reference in this research, the results showed that liquidity had an effect on ISR disclosure. This research was conducted by the first researcher (Jati et al., 2020) and the second researcher (Diansari et al., 2022).. From this explanation, the following hypothesis can be put forward:

H2: Liquidity has a positive effect on ISR disclosure.

The Influence of Capital on ISR Disclosure

Capital Adequacy Ratio (CAR) is a proxy measurement in this research. The results of the CAR ratio are a good signal for stakeholders in assessing banking performance. (Wardani & Nurhayati, 2021) revealed that the Capital ratio, namely CAR, has a negative and insignificant effect. From this explanation, it is possible to propose the following hypothesis:

H3: Capital has a negative effect on ISR disclosure.

The Effect of Leverage on ISR Disclosure

Leverage is assessed in this research using the Debt to Equity Ratio (DER). According to Meek, Roberts, and Gray (1995), companies with a high level of leverage will disclose information widely and openly, thereby gaining the trust of lenders. Kamil and Herusetya (2012) revealed that the leverage ratio has a negative influence on ISR disclosure (Jati et al., 2020). Meanwhile, previous research which is used as a reference for this research produces varying results from study to study, this can be seen from the results of research conducted by (Jati et al., 2020) that results from leverage do not have an impact on ISR disclosure, but research by (Diansari et al., 2022) get different leverage results which have an impact on ISR disclosure. From this explanation, the following hypothesis can be put forward:

H4: Leverage has a positive effect on ISR disclosure.

The Influence of Islamic Corporate Governance (ICG) as a Moderating Variable on ISR Disclosure

The size of the board of commissioners is used as an indicator of the ICG variable because the size of the board of commissioners can influence management in disclosing corporate social responsibility (Mustika et al., 2022). Meanwhile, the DPS size is used as an indicator of the ICG variable because the DPS size is an independent body entrusted with directing, supervising and reviewing LKS activities in accordance with sharia principles. Meanwhile, company age is used as an indicator of the ICG variable because age is considered a sign that a company can compete with others and maintain its reputation (Rismayati et al., 2022).

From previous research used as a reference in this research, the results showed that ICG had a positive effect on the disclosure of Sharia financial performance, in this case the size of the Board of Commissioners and the size of the DPS (Afandy et al., 2021). Apart from that, according to the results of research conducted by researchers (Rismayati et al., 2022) company age is considered an important determinant in ISR disclosure. From the results of this research, according to ICG researchers, the indicators for the size of the Board of Commissioners, the size of the DPS and the age of the company can be used as moderating variables in this research. From this explanation, a hypothesis can be put forward:

H5 : Islamic Corporate Governance (ICG) is able to moderate the independent variable on ISR disclosure.

METHODOLOGY

Data

His type of research is quantitative and uses annual financial reports as a secondary data source. The research population was all Sharia Commercial Banks (BUS) registered with the OJK for the period 2014 to 2021. 96 samples were collected from 12 BUS using purposive sampling.

Research Variable

Profitability

Profitability is the possibility for an organization to generate profits. This ratio consists of profit margin, ROE, and ROA (Diansari et al., 2022). This research uses ROA with the formula:

$$ROA = \frac{NPM}{Total\ Asset}\ x\ 100\%$$

Liquidity

The liquidity ratio shows that a company's ability to pay its debts increases with its current ratio. In order to have an impact on the number of disclosures made through Islamic Social Reporting (ISR) (Diansari et al., 2022). Liquidity is expressed using the Financing to Deposit Ratio (FDR) formula as follows:

$$FDR = \frac{Total\ Lending}{Total\ Funding}\ x\ 100\%$$

Capital

The minimum capital that a bank must have so that it can be used to offset the risk of loss is called capital or capital components (Wardani & Nurhayati, 2021). The ratio used in this research to assess how much capital a bank has is called the Capital Adequacy Ratio (CAR). The formula used is as follows:

$$CAR = \frac{capital}{Assets\ Weighted\ By\ Risk\ (ATMR)}\ x\ 100\%$$

Leverage

Leverage is the ability of a company to make debt payments both in the long term and short term to other parties (Rismayati et al., 2022). Leverage is calculated using Debt to Equity (DER) (Diansari et al., 2022). Leverage is expressed by the following formula:

$$DER = \frac{Total\ Liabilities}{Total\ Equity}\ x\ 100\%$$

Dependent Variable

The Islamic Social Reporting (ISR) index was used in this study to assess the dependent variable. The ISR value was generated using a content analysis approach, which gives a value of 1 for disclosure and a value of 0 for items that were not disclosed. In the annual report ISR is given a symbol with a total of 48 disclosure items. Calculation of the determined ISR value uses the following formula:

$$ISR = \frac{Disclousure}{Total\ Disclousure}\ \text{x}\ 100\%$$

Moderating Variables

Size of the Board of Commissioners

The board of commissioners is given the power to direct and supervise company management. Disclosure of corporate social responsibility by management is influenced by the board of commissioners. By calculating the number of commissioners in a company, the number of commissioners can be obtained (Mustika et al., 2022).

$$The\ Board\ of\ Commissioners = \sum The\ Number\ of\ Commissioners\ on\ the\ Board$$

Size of the Sharia Supervisory Board (SSB)

In Indonesia, the term Sharia Supervisory Board (DPS) refers to internal sharia supervision (Afandy et al., 2021). By calculating the number of members of the sharia supervisory board in a company, you can find out the number of sharia supervisory boards. (Rosyidah & Nafif, 2022). The following is the formula for calculating the proportion of DPS measured ratio:

$$DPS = \sum The\ Number\ of\ Sharia\ Supervisory\ Board\ Members$$

Company Age

The level of disclosure is greatly influenced by the age of the company. Company age tells about how long the company has been running its business or is active in a particular sector (Rosyidah & Nafif, 2022). Since the sharia bank merged with the Sharia Commercial Bank, the age of the company has been calculated (Deviani, 2018). Company age uses the following calculation:

Company Age = Duration of Membership in the Chamber of Commerce

Data Analysis Technique

Moderated Regression Analysis (MRA)

To ascertain whether the moderating variable (Z) strengthens or weakens the relationship between the independent variable and the dependent variable, testing must be carried out. This interaction test is usually referred to as Moderated Regression Analysis (MRA). The MRA equation is as follows:

$Y = \alpha + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + e$

$Y = \alpha + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + \beta 5Z + \beta 1X*1Z + \beta 2X*2Z + \beta 3X*3Z + \beta 4X*4Z + e$

Panel Data Regression Analysis

Panel data is a combination of data across time (time series) and across individuals (cross section). The panel data regression equation is as follows:

$$Y_{it} = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon_{it}$$

Hypothesis Testing

This research also carried out hypothesis testing consisting of the F test (simultaneous), t test (partial), and also testing to see the value of the coefficient of determination R2.

RESULTS AND DISCUSSION

Results

Descriptive Analysis Results

	Y	X1	X2	X3	X4
Mean	73.24521	0.968542	447993.5	35.51479	183.6093
Median	75.00000	0.805000	90.92000	22.14000	95.03000
Maximum	85.41000	13.60000	42492353	390.5000	1412.530
Minimum	58.33000	-20.13000	0.000000	11.51000	6.230000
Std. Dev.	8.420166	4.563999	4336612.	55.55975	240.0710
Observ.	96	96	96	96	96

Source: Results of data processing with Eviews, 2024

Table 1. Descriptive Statistical

Based on the results of descriptive statistical tests in table 1, it can be seen that the average ROA is 0.968542% with a minimum of -20.13000% and a maximum of 13.60000. FDR in Indonesian sharia banking averages 447993.5% with a minimum amount of 0.000000% and a maximum amount of 42492353%. CAR in Indonesian sharia banking averages 35.51479% with a minimum amount of 11.51000% and a maximum amount of 390.5000%, while DER has an average amount of 183.6093% with a minimum amount of 6.230000% and a maximum amount of 1412.530%.

Moderated Regression Analysis (MRA) Results

` MODEL	COEFFICIENT	Adj R-Square (Before moderation)	Adj R-Square (After moderation)	PROB	Explanation
X1Z1	0.296862	0.340852	0.980686	0.0000	Strengthen
X2Z1	-3.85E-08	0.363910	0.361903	0.2123	Not Moderated
X3Z1	0.004209	0.328399	0.320461	0.1089	Not Moderated
X4Z1	6.10E-05	0.328381	0.312185	0.9195	Not Moderated
X1Z2	0.466255	0.371109	0.985981	0.0000	Strengthen
X2Z2	6.54E-08	0.363910	0.380788	0.0427	Strengthen
X3Z2	0.010764	0.328399	0.349071	0.0345	Strengthen
X4Z2	0.000238	0.328381	0.312331	0.8205	Not Moderated
X1Z3	0.033398	0.371109	0.914904	0.0000	Strengthen
X2Z3	5.51E-09	0.363910	0.383132	0.0356	Strengthen
X3Z3	0.000741	0.328399	0.323593	0.0660	Not Moderated
X4Z3	1.34E-05	0.328381	0.315498	0.8301	Not Moderated

Source: Results of data processing with Eviews, 2024

Table 2. Moderated Regression Analysis (MRA)

In table 2, the results show that for the first moderating variable, namely the Board of Commissioners (Z1), it can only moderate 1 independent variable, this variable is ROA (X1) with information that it can strengthen the relationship with the ISR variable (Y), apart from this variable, the Board of Commissioners (Z1) unable to moderate the other three independent variables, namely FDR (X2), CAR (X3), and DER (X4). Meanwhile, the second moderating variable, namely the Sharia Supervisory Board (Z2) can moderate 3 independent variables, these variables consist of ROA (X1), FDR (X2), CAR (X3) with the information that it can strengthen the relationship with the ISR variable (Y), then, the Board The Sharia Supervisor (Z2) is unable to moderate the DER variable

(X4). Meanwhile, for the third moderating variable, namely Company Age (Z3), it can only moderate 2 independent variables, these variables are ROA (X1) and FDR (X2) with information that it can strengthen the relationship with the ISR variable (Y), but Company Age (Z3) unable to moderate the CAR (X3) and DER (X4) variables.

Estimation Model Selection

To select the best model, there are three methods for evaluating model estimates: Chow Test, Hausman Test and Lagrange Multiplier (LM) Test. The appropriate CEM or FEM is selected for the study using the Chow test.

Effects Test	Statistic	d.f.	Prob.
Cross-section F	4.966268	(11,79)	0.0000
Cross-section Chi-square	50.459431	11	0.0000

Source: Results of data processing with Eviews, 2024

Table 3. Chow Test

Table 3. Chow test shows the Prob Cross-section F value < (0.05) indicating that H0 is rejected and also because FEM is a better choice for estimating panel data than CEM. In addition, the Hausman test was carried out to see whether panel data regression should be carried out using the REM or FEM approach.

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	12.366357	5	0.0301

Source: Results of data processing with Eviews, 2024

Table 4. Hausman Test

Table 4 shows that when the Prob Chi-square value is < (0.05), H1 is accepted, therefore FEM is a better choice in estimating panel data than REM. It can be concluded based on the Chow and Hausman test results that FEM is more suitable to be applied than CEM and REM. Because FEM was chosen and the test was successful, this research uses FEM.

F Test (Simultaneous)

The F-statistic probability value for panel data regression using FEM is 0.00 < 0.05. These findings prove that the dependent variable is influenced by the independent variables, namely ROA, FDR, CAR and DER in combination (ISR).

Variable	Prob (F-Statistic)
ROA (X1)	0.000003
FDR (X2)	0.000001
CAR (X3)	0.000005
DER (X4)	0.000000

Source: Results of data processing with Eviews, 2024

Table 5. F Test

t Test (Partial)

Variable	Probability	Results
ROA (X1)	0.2131	H1 Rejected
FDR (X2)	0.0341	H2 Accepted
CAR (X3)	0.9387	H3 Rejected
DER (X4)	0.9520	H4 Rejected

Source: Results of data processing with Eviews, 2024

Table 6. t Test

Based on the results of panel data regression using the Fixed Effect Model (FEM), it appears that there is only one variable that has an influence on the disclosure of Islamic Social Reporting (ISR), this variable is FDR (X2), other than that this variable has no influence.

Coefficient of Determination (R^2)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.027205	10.46785	0.193660	0.8469
X1	-1.15E-07	9.31E-08	-1.235733	0.2202
X2	0.022401	0.010438	2.146198	0.0349

X3	0.000250	0.002151	0.116005	0.9079
X4	-0.011931	0.139752	-0.085373	0.9322
Z1	-0.274380	0.680064	-0.403461	0.6877
Effects Specification				
Cross-section fixed (dummy variables)				
Root MSE	3.348343	R-squared	0.456103	
Mean dependent var	0.968542	Adjusted R-Squared	0.345947	
S.D dependent var	4.563999	S.E. of regression	3.691068	
Akaike info criterion	5.608975	Sum squared resid	1076.295	
Schwarz criterior	6.063078	Log likelihood	-252.2308	
Hannan-Quinn				
Criter	5.792531	F-statistic	4.140508	
Durbin-Watson stat	2.010181	Prob (F-statistic)	0.000011	

Source: Results of data processing with Eviews, 2024

Table 7. Coefficient of Determination (R^2)

The FEM panel data regression results show that the R2 (Adjusted R squared) value is 0.34 (34%) indicating that the ROA, FDR, CAR and DER variables can explain the Y variable (ISR), with the remaining 66% being explained by external factors. study.

Analysis

The Influence of Profitability on ISR Disclosure

It is known from the test results obtained with Eviews version 12 that H1 is rejected, because profitability does not affect Islamic Social Reporting (ISR). BUS profitability, whether higher or lower, has no impact on the availability of Islamic social reporting data. The profitability of ISR has no effect because BUS is of the opinion that the practice of Islamic Social Reporting (ISR) does not need to pay attention to the level of profits or losses of Sharia Commercial Banks.

Not all funds used by banks for social responsibility activities come from bank funds, but also come from zakat, infaq, shodaqoh, or non-halal income. The source of financial funds used by Islamic banks for their social responsibility initiatives does not come entirely from their profits, but from zakat, infaq, shodaqoh, or non-halal funds. The findings of this research are consistent with previous findings from other studies (Jati et al., 2020), (Zuhriyanto & Haryono, 2022) and (Diansari et al., 2022) with the ratio of profitability, namely that ISR disclosure is not affected by ROA.

The Influence of Liquidity on ISR Diclosure

Test results using Eviews version 12 show that H2 is accepted. Thus, it can be said that ISR disclosure is influenced by liquidity. BUS with a high liquidity ratio can indicate that the bank can fulfill its short-term debt according to its maturity. Of course, increasing the liquidity ratio can increase the disclosure of a bank's social information. Apart from that, it can also describe the potential of a company related to the implementation of the socialization of bank social information disclosure, namely Islamic Social Reporting (ISR). Therefore, the market considers liquidity as a benchmark for performance. A bank with a high liquidity ratio should disclose more detailed information to describe its superior performance. The findings of this research are consistent with previous findings from other researchers (Jati et al., 2020) and (Diansari et al., 2022) with the ratio of liquidity, namely FDR, influencing ISR disclosure.

The Influence of Capital on ISR Disclosure

Test results using Eviews version 12 show that H3 is rejected, because capital has no impact on how ISR is disclosed. The findings of this study support previous findings from other research (Wardani & Nurhayati, 2021) that ISR disclosure is not affected by CAR. This finding shows that no matter how low the CAR value of a bank is, it will not affect the company value. Usually investors tend to ignore the CAR factor and focus more on other factors that can have an influence on the return they will receive.

The Effect of Leverage on ISR Disclosure

ISR disclosure is not affected by leverage, so the test findings using Eviews version 12 show that H4 is rejected. According to research findings, companies with a high debt to equity ratio demand more information, especially information about ISR. certainly contrary to stakeholder theory. ISR disclosure is a fulfillment of stakeholder demands.

Researchers state that the debt ratio has no effect on ISR disclosure because there is a pattern of fluctuation in debt ratio data and ISR disclosure. Researchers assume that ISR disclosure will fulfill the need for relevant information in financial reports regardless of the size of the debt that must be paid and as a form of accountability for Islamic banks. The findings of this research are in line with previous findings by researchers (Jati et al., 2020) with the results of the leverage ratio, namely DER has no impact on ISR disclosure, and the findings of this research contradict previous research (Diansari et al., 2022) which obtained leverage results influence on ISR disclosure.

CONCLUSION AND RECOMMENDATION

Conclusion

This study proves that the indicators of sharia financial performance consisting of ROA (X1), CAR (X3), and DER (X4) have no influence on ISR (Y) disclosure while FDR (X2) influences ISR (Y) disclosure, the implications of This study shows that increasing the liquidity ratio (FDR) can increase the disclosure of a bank's social information. Apart from that, it can also describe the potential of a company related to the implementation of the socialization of bank social information disclosure, namely Islamic Social Reporting (ISR). Therefore, the market considers liquidity as a benchmark for performance. When the FDR reaches 100%, the bank is considered to have good liquidity because it is able to channel its financing from the third fund collected. However, at the same time, Islamic banks that have achieved 100% FDR are under pressure because their short-term funds have run out. Islamic banks will not disclose their ISR when liquidity reaches or approaches 100%, because the bank does not want stakeholders to know that they are under pressure to meet short-term funds, and vice versa. Apart from that, this research also provides evidence that the Board of Commissioners (Z1) is able to moderate the variable ROA (X1) towards strengthening ISR (Y), the Sharia Supervisory Board (Z2) is able to moderate the variables ROA (X1), FDR (X2), and CAR (X3) on strengthening ISR (Y), while Company Age (Z3) is able to moderate the ROA (X1) and FDR (X2) variables on strengthening ISR (Y). The implications of this research indicate that ICG, which is used as a moderating variable in this research, is considered an important determinant in ISR disclosure.

Recommendation

Researchers are very aware of the limitations in this research. The variables used in this research still have limitations because not all of them have an influence. Thus, the researcher recommends that future researchers can include a number of additional variable indicators of sharia financial performance. Apart from that, to provide progress in this research, it is recommended that future researchers can carry out comparative studies, such as between sharia banks in Indonesia and several sharia banks in the world.

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