

THE EFFECT OF PROFITABILITY, SHARIA SUPERVISORY BOARD INVESTMENT ACCOUNT HOLDER ON ISLAMIC SOCIAL REPORTING DISCLOSURES

(Study on Islamic Commercial Banks in Indonesia 2015-2019)

Ekawati¹, Muhammad Anhar²

Department of Accounting

Indonesian College of Economics

Jl. Kayu Jati Raya No.11A, Rawamangun – Jakarta 13220, Indonesia

ekaawatii99@gmail.com¹; m.anhar@stei.ac.id²

Abstract – *This study aims to determine the effect of profitability, sharia supervisory board, and investment account holder on islamic social reporting disclosure in Islamic commercial banks registered at the Financial Service Authority in 2015-2019. This study is quantitative research, with multiple linear and panel data analysis with Eviews 10. The population in this study is Islamic Bank regitered in the Financial Service Authority in 2015-2019. The research sample of 10 banks obtained by purposive sampling technique, so that the total are secondary data obtained by downloading financial reports on the official website of islamic banks. Testing the hypothesis in this study using the t test (partially) and the F test (simultaneously). The result showed that partially (t test) and simultaneously (F test) Profitability, Sharia Supervisory Board and Investment Account Holder significantly influence Islamic Social Reporting Disclosure.*

Keywords: *Profitability, Sharia Supervisory Board, Investment Account Holder, and Islamic Social Reporting*

I. PRELIMINARY

Globalisasi Globalization has generated a growing awareness of corporate social responsibility known as Corporate Social Responsibility (CSR). The practice of Corporate Social Responsibility is one of the company's efforts to increase public trust so that the company can work together with the community in improving the quality of life and a beneficial environment. Lack of social awareness and social responsibility can have a negative impact on the sustainability of companies in Indonesia. Mukhibad, (2018) states that previous research empirical studies show

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that banks Sharia in Indonesia has low environmental and social awareness so that research on social responsibility is needed.

The idea of Corporate Social Responsibility (CSR) is basically how a company pays attention to the environment on the impacts that can occur due to the company's operational activities. In order to defend themselves against social pressure, today many companies take into account the environmental and social impact aspects through the development of CSR and disclosure programs, which are key strategies for companies to attract investors. Corporate Social Responsibility (CSR) is a company's commitment not only to be profit-oriented in running its business. But maintaining harmony with the social environment and its surroundings. CSR disclosure is an obligation for a company with the issuance of Law of the Republic of Indonesia Number 40 of 2007 article 66 paragraph 2c regarding Limited Liability Companies.

Disclosure of Corporate Social Responsibility can be voluntary for Sharia Banks because CSR disclosure in Islamic banking is different from other companies. Measuring the social performance of Islamic banking requires a separate measurement, related to the need for disclosure of social responsibility in Islamic banking according to Islamic values and principles using the Islamic Social Reporting Index (ISR Index). The ISR index is a reporting framework based on Islamic principles.

Researchers are interested in conducting research on Islamic Social Reporting because the disclosure of Islamic Social Reporting in Islamic banking in Indonesia is still not optimal. Sharia banking is still lacking and has not taken sides with the community as is the case with conventional banking which still places profit as its main priority. This is in line with the statement by the Governor of Bank Indonesia Agus Martowardjo during a seminar on "Integrating Islamic Commercial and Social Finance to Strengthen Financial System Stability" which contained the invitation of the Governor of Bank Indonesia to Islamic banking to further strengthen the side of social financing through zakat and waqf. This indicates that there is a subtle criticism from Bank Indonesia which sees Islamic banking as still focusing more on the commercial side than on the social side (Republika.co.id, 2016).

The factors in disclosing Islamic Social Reporting in this study consist of Profitability, Sharia Supervisory Board (DPS), and Investment Account Holder (IAH). Several cases that have occurred regarding the purity of the operational activities of Islamic banks, are Bank Mega Syariah with the alleged Money Game under the guise of investing in gold in 2014 (money.kompas.com, 2014). Bank Mega Syariah offers financing of 60% of the investment value, but when the customer experiences bad credit, the bank auction the gold, then the money from the auction is controlled by Bank Mega Syariah. This is contrary to sharia principles, where when an auction is held, the customer's funds must be returned. The Sharia Supervisory Board in Islamic banking has the task of providing advice and suggestions to the board of directors, as well as supervising the bank so that it runs according to sharia principles. The number, across positions, educational background and reputation of the Sharia Supervisory Board are indicators to be assessed.

Another factor that may affect the disclosure of Islamic Social Reporting is the Investment Account Holder (IAH). Investment in Islamic banks can be done in two ways, namely investing funds as customers and investing funds as shareholders (investors). IAH is a bank ownership structure whose funds come from customers. Basically, people are more interested in investing their funds as customers than as shareholders because it is related to the risk that will be received. However, customers do not have the right to be involved in corporate decision making like shareholders and this is certainly unfair for customers considering that most of the funds obtained by banks come from customers. To overcome this injustice, Islamic banks disclose ISR as a form of

their responsibility to customers so that customers can see how the management of funds originating from them and whether the bank's operational activities are in accordance with sharia or not. Research conducted by Mukhibad (2018) reveals that IAH has a significant influence on ISR disclosure. Meanwhile, the results of Yudhiyati and Solihin's (2016) research show that IAH has no significant effect on ISR.

In this study the authors added one variable which was a factor in the disclosure of ISR, namely Profitability. Profitability is a measure that can identify a company's ability to generate profits. Banks that have large profits tend to be willing to disclose information related to their companies in a transparent and broad manner. The author found a phenomenon related to the increase in assets in Islamic banking, namely at PT. Bank Syariah Mandiri recorded an increase in assets in the 2017 period from IDR 80 trillion to IDR 93 trillion in the first quarter of 2018 (Cnbcindonesia.com, 2018). In addition, the President Director of the Indonesia Stock Exchange (IDX), Inarno Djayadi, stated that the IDX will increase the variety of Islamic assets (Kontan.co.id, 2019). These things indicate that the growth of assets in Islamic companies makes investors interested in investing and companies that have large profits must have the awareness to increase responsibility for social problems in their environment. Pratama et al (2018) 's research shows that profitability as measured by ROA has an influence on ISR disclosure. Meanwhile, research by Rindiyawati and Arifin (2019) found that profitability had no effect on ISR disclosure.

The Islamic Social Reporting (ISR) disclosure that will be examined in this study is based on the ISR Index previously developed by Haniffa, (2002) in Rizfani and Lubis, (2018) which originally consisted of 5 disclosure themes into 6 themes that have been developed by subsequent researchers. The six themes are finance, products and services, employees, society, environment and corporate governance.

II. THEORETICAL BASIS

2.1. Sharia Enterprise Theory

Sharia Enterprise Theory according to Triyuwono (2011) does not only care about the interests of individuals (shareholders), but also other parties of interest. Therefore, Sharia Enterprise Theory has great attention to stakeholders at large. Sharia Enterprise Theory encompasses God, man and nature. The highest party in the Sharia Enterprise Theory is God, God is the only goal of human life, by placing God as the highest stakeholder, the connecting rope so that sharia accounting remains and aims at "awakening divine awareness" of its users, it will be guaranteed. . The consequence when determining God as the highest stakeholder is the use of sunnatullah as the basis for sharia accounting construction, with the existence of this sunnatullah, sharia accounting is built based on the rules and laws of Allah. The implication of Sharia Enterprise Theory in this study is that the disclosure of Islamic Social Reporting (ISR) is a form of mandate and responsibility carried out by Islamic banking that conducts business in accordance with Islamic principles. The mandate for disclosing Islamic Social Reporting can be influenced by the level of compliance of Islamic banking with Islamic principles.

2.2. Stakeholder Theory

Stakeholders are all internal or external parties such as shareholders, the government, the community around the environment, institutions outside the company and so on, whether influencing or being influenced, directly or indirectly by the company (Hadi, 2011). The implication of stakeholder theory in this study is that companies disclose their social responsibility

as a form of corporate responsibility to stakeholders. With the company being accountable to stakeholders it can have a positive impact on the good name of the company in the eyes of stakeholders. In this study, stakeholder theory is used to explain the relationship between the Investment Account Holder (IAH) variable and the disclosure of Islamic Social Reporting (ISR) in Islamic banking. Customers expect the company not only to focus on its business, but also to pay attention to the surrounding environment as well. With the disclosure of corporate social responsibility, it shows that they are not only focused on their business, but also pay attention to the surrounding social environment.

2.3. Islamic Social Reporting (ISR)

Islamic Social Reporting (ISR) is a sharia-based reporting standard that aims to see a company's social performance (edusaham.com). ISR can support Muslim stakeholders when assessing companies linked to social responsibility that have been carried out by the company, and also to assist companies in fulfilling their obligations to Allah SWT and society. Research on Islamic Corporate Social Responsibility is generally assessed using the Islamic Social index model. Reporting developed using responsibility reporting standards based on the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) (Haniffa, 2002) in (Rizfani and Lubis, 2018). Islamic Social Reporting is the answer to the need for measuring corporate responsibility based on sharia principles.

Islamic Social Reporting is the answer to the need for measuring corporate responsibility based on sharia principles. The difference between Islamic values and the classic concept of Corporate Social Responsibility makes a difference in the practice of disclosing social responsibility. Islamic Social Reporting is an extension of social reporting which not only contains the wants and needs of all people on the role of companies in the economy but is also related to a spiritual perspective. There are 6 (six) themes for the disclosure of the ISR Index in this study, namely the theme of finance, the theme of products and services, the theme of human resources, the social theme, the environmental theme, and the theme of corporate governance (Haniffa, 2002) in (Rizfani and Lubis, 2018).

2.4. Profitability

Rasio Profitability ratio is a ratio used to assess the ability of a company to seek profit or profit in a certain period (Kasmir, 2015: 114). This ratio shows a measure of the level of management effectiveness of a company which is indicated by the profit obtained from sales or investment income (Kasmir, 2015: 114). Investors can find out how much the company is worth by looking at the financial ratios used as an investment evaluation tool.

Financial ratios can indicate the high and low value of the company. The higher the value of financial ratios, the higher the company's profits will be. This can attract investors to invest in the company in order to get a return. The level of return received by investors reflects the good and bad value of the company.

2.5. Sharia Supervisory Board

The Sharia Supervisory Board is an independent institution that has the task of supervising and providing direction to Islamic Financial Institutions so that they run according to sharia principles, according to the Financial Services Authority (OJK) Number 30 / POJK.05 / 2014 concerning good corporate governance for finance companies . The existence of DPS in Sharia Financial Institutions is officially regulated in Law Number 40 of 2007 article 107 concerning Limited Liability Companies which states that apart from having a Board of Commissioners, companies that run their business based on sharia principles must have DPS.

According to Mufraini and Romdlon, (2011) the Sharia Supervisory Board (DPS) is a board that carries out supervision of sharia principles in the business activities of Islamic banks, which in carrying out its functions acts independently. DPS consists of people who have good skills in muamalah law, economic law and banking as well as other abilities relevant to their daily duties. Previous studies related to the Sharia Supervisory Board are compiled in an index. This index is called the Islamic Governance Score (IG-Score). The IG-Score calculation is based on the number of members of the Sharia Supervisory Board, the educational qualifications of the Sharia Supervisory Board, and the views of the members of the Sharia Supervisory Board.

2.6. Investment Account Holder

Investment Account Holder (IAH) is a ownership structure in Islamic banking, which originates from customer funds. Archer et al., (1998) in Farook et al., (2011) explain that although customers do not have voting rights in determining company policy, they still influence the level of supervision of management through shareholders. Customers can influence shareholders in the supervision of management because the benefits obtained by shareholders are determined by the profits obtained through the use of funds from customers (Farook et al., 2011).

The term stakeholder in Islamic banking is not only for shareholders, but also for customers (Investment Account Holder), so the higher the stakeholders in Islamic banking, the higher the pressure for banks to disclose company information. Investment Account Holder in Islamic banking can determine the level of supervision and the level of company information disclosure. In addition, customers can also determine compliance with sharia principles and have an impact on the disclosure of their corporate social responsibility (Farook et al., 2011).

Investors in Islamic banking prefer to invest their funds as Investment Account Holders (IAH) rather than as shareholders since they are more interested in Islamic banking services than share ownership of these Islamic banks (Farook et al., 2011). If being a customer (Investment Account Holder) is more attractive than being a shareholder and in accordance with sharia law and principles, then the influence of the customer can determine the extent to which bank activities comply with sharia law and principles and have an impact on the level of disclosure of information reported by the bank. One of the information disclosed by the bank in its annual report is information on social responsibility, so that customers can influence the bank in disclosing information on their social responsibility.

III. RESEARCH METHOD

3.1 Data Collection Methods and Sample Selection

This study uses secondary data obtained from annual reports and financial reports published on the official website of Islamic banks. The strategy used in this study is to use an associative causal (Causal relationship). Based on the predetermined criteria, in the 2015 - 2019 period, 10 Islamic Commercial Banks that met the criteria were obtained and multiplied by 5 years became 55 samples.

3.2 Operational Variables

The operational variables in this study are:

1. Profitability

Profitability is a ratio used to assess a company's ability to seek profit or profit in a certain period (Kasmir, 2015: 114). In this study using Return On Asset (ROA) as a measure of

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profitability. According to Kasmir (2016: 202) the formula used to calculate Return On Assets (ROA) is as follows:

$$ROA = \frac{\text{Profit After Tax}}{\text{Total Asset}} \times 100\%$$

(1)

2. Sharia Supervisory Board (DPS)

Measurements from the Sharia Supervisory Board are carried out using content analysis by scoring. In this study, DPS was measured using criteria consisting of four characteristics. Each item that meets these characteristics is given a value of 1 as in the following table:

Tabel 3.2 Sharia Supervisory Board

No.	DPS characteristics	Fulfill	Does not meet the
1.	Number of Supervisory Board Members	1	0
2.	Cross Members of the Sharia Supervisory Board	1	0
3.	Educational qualifications of members of the Sharia Supervisory Board	1	0
4.	Members of the Sharia Supervisory Board	1	0
Total DPS		Score Max 4	

3. Investment Account Holder (IAH)

Investment Account Holder in this study is measured using a ratio by comparing the amount of funds originating from customers, which is called temporary syirkah funds with the paid-up capital of shareholders.

According to Farook et al., (2011) the formula used to calculate the Investment Account Holder (IAH) is as follows:

$$IAH = \frac{\text{Temporary Syirkah Fund}}{\text{Paid up capital of Shareholders}}$$

(2)

4. Islamic Social Reporting (ISR)

Variabel This variable is measured using a scoring mechanism on the items of the ISR disclosure component in the annual report of Islamic banks. These items are based on Islamic values adopted from research conducted by Haniffa, (2002) and Othman, (2009) in Rizfani and Lubis, (2018) by making some adjustments. The components in the ISR index consist of six indicators, namely investment and finance, products and services, employees, social, environment and corporate governance. the six indicators were further developed into 48 items. Based on the ISR index model, scoring was carried out, namely a value of 0 for items that were not disclosed and a value of 1 for items that were disclosed. After scoring (Scoring)

on the index has been completed, the amount of disclosure level can be determined using the formula:

According to edusaham.com the formula used to calculate Islamic Social Reporting (ISR) is as follows:

$$\text{Disclosure level} = \frac{\text{The number of disclosure scores that were met}}{\text{Maximum number of scores}}$$

(3)

3.3 Data Analysis Methods

Alat The analytical tool used in this research is to use descriptive statistical analysis techniques and panel data regression analysis. Descriptive statistical analysis and panel data regression analysis in this study were conducted using Eviews software version 10. The appropriate method for obtaining and collecting research data used in this study is documentation data.

IV. RESULTS AND DISCUSSION

4.1 Data analysis

4.1.1 Descriptive Statistical Analysis

Descriptive statistics aim to provide an explanation or data description of a variable under study, the variables used include the effect of profitability, the sharia supervisory board, and the investment account holder on the disclosure of Islamic social reporting. From the results of the statistical analysis of the three variables with the research sample (n = 50), the results are according to the table below:

Table 4.1.1. Descriptive Statistical Analysis Results

	ISR	PBS	DPS	IAH
Mean	0.715000	1.453576	3.320000	1138.797
Maximum	0.850000	9.100000	4.000000	4183.844
Minimum	0.560000	0.022990	2.000000	200.9730
Std.Dev	0.073879	2.458593	0.819158	1214.450
Observations	50	50	50	50

Source: The results of data processing with Eviews version 10, 2020

Based on table 4.1.1, the X1 variable is profitability as measured by Return On Assets (ROA), has a maximum value of 9,100,000 and a minimum value of 0.022990. This value means that in the Islamic banking studied there were banks that had the highest profitability of 910% at the Sharia National Pension Savings Bank in 2019 and there were banks that had the smallest profitability value of 2.30% at the Bukopin Syariah Bank in 2017. The average profitability in This

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study is 1.453576 with a standard deviation of 2.458593. This value indicates that Islamic banking in this study obtained an average of 145% of the total assets owned with a large variation.

Based on table 4.1.1, the X2 variable, namely the Sharia Supervisory Board (DPS) is proxied using the Islamic Governance Score (IG-Score) which is measured from the number of DPS, educational background of SSB, concurrent DPS positions, and DPS reputation. In this study, the largest DPS value is 4 criteria that almost every Islamic banking has, where it meets the four criteria that are the IG-Score indicator. The smallest DPS value is 2 criteria owned by three Islamic banks, namely Bank Central Asia Syariah in 2018, Bank Aceh Syariah and Sharia National Pension Savings Bank from 2015-2019 where only two criteria are met, namely the number of DPS and educational background of DPS. The average DPS in this study was 3.32 with a standard deviation of 0.819158. This value indicates that most of the Islamic banks have almost fulfilled the four criteria which are the IG-Score indicators.

Based on table 4.1.1, the X3 variable is Investment Account Holder (IAH), which is one of the elements of Corporate Governance, namely the ownership structure, measured using the ratio of the profit sharing between temporary syirkah funds and fully paid-up capital (shareholders), has a maximum value of 4,183,844 and a value minimum 200.9730. This value means that the Islamic banking researched shows the highest IAH, namely 4,184% at Bank Muamalat Indonesia in 2017 and the smallest IAH, namely 201% at Bank Aceh Syariah in 2015. The average IAH in this study was 1,138,797 with a standard deviation of 1,214 , 450. This value indicates that Islamic banking in this study has an average IAH of 1.139% of the paid-up capital of shareholders with small variations.

Islamic Social Reporting (ISR) which is measured based on the ISR index from the quotient between the number of scores that are fulfilled with 48 items of the ISR index has a maximum value of 0.850000 and a minimum value of 0.560000. This value means that in the Islamic banking studied, there are banks that disclose social responsibility based on the highest Islamic principles, namely 85% by Bank Negara Indonesia in 2017 and there are banks that express social responsibility based on the lowest Islamic principles, namely 56% by the Sharia National Pension Savings Bank. in 2016. The average ISR disclosure in this study was 0.715000 with a standard deviation of 0.073879. This value indicates that the average Islamic banking discloses its social responsibility at 71.5% based on the ISR index with large variations.

4.2 Panel Data Selection Analysis

4.2.1 Likelihood Test (Chow)

The likelihood (chow) test is used in determining the appropriate model between the Common Effect model and the Fixed Effect model to determine the panel data model to be used.

Table 4.2.1 Likelihood Test Results (chow)

Effect Test	Statistic	d.f.	Prob
Cross Section F	10.559567	(9.37)	0.0000
Cross Section Chi-Square	63.607873	9	0.0000

Source: The results of data processing with Eviews version 10, 2020

From the table above 4.2.1, it is known that the chi-square probability is 0.0000 or less than $\alpha = 0.05$, so the correct model is the Fixed Effect Model (FEM), so it is necessary to continue with the Hausman test.

4.2.2 Hausman Test

If the hausman test produces a chi-square probability value < 0.05 (H_1) then it identifies that the result is insignificant and the correct model is the Fixed Effect Model. If the results of the chi-square probability > 0.05 (H_0) then identify the results as significant and the suitable model is the Random Effect Model. The following are the results of the Hausman Test:

Table 4.2.2 Hausman Test Results

Test Summary	Chi-Sq. Statistic	Chi-Sq. D.f	Prob
Cross Section-Random	5.328690	3	0.1493

Source: The results of data processing with Eviews version 10,2020

In table 4.2.2 above the chi-square probability of 0.1493 or the chi-square probability > 0.05 . From the Hausman test, it is concluded that H_1 is rejected, so that the more appropriate model approach is chosen is the Random Effect Model.

4.2.3 Lagrange Multiplier Test

The Lagrange Multiplier test is conducted to test whether the data is analyzed using random effects or common effects.

Table 4.2.3. Lagrange Multiplier test results

	Cross - Section	Test Hypothesis Time	Both
Breusch – Pagan	27.39589	0.632335	28.02823
	(0.0000)	(0.4265)	(0.0000)

Source: The results of data processing with Eviews version 10, 2020

Pada Table 4.2.3 above shows the Breush-Pagan Probability (BP) value of 0.0000 or 0.0000 < 0.05 . From the Lagrange Multiplier test, it is concluded that H_0 is accepted and H_1 is rejected, so the appropriate model in the above results is the Random Effect Model.

Based on the panel data selection analysis in the form of the Likelihood (chow) test with a result of 0.0000 < 0.05 and the Fixed Effect Model selected. Then proceed with the Hausman test with results 0.1493 > 0.05 and the chosen model is the Random Effect Model. Then proceed again with the Lagrange Multiplier test with a result of 0.0000 < 0.05 and the random effect model is selected. So in this study the model chosen to be used as panel data is the Random Effect Model.

4.3 Classic assumption test

4.3.1 Data Normality Test

The data normality test aims to determine whether the data used has a normal distribution or can represent a population with a normal distribution. This test uses the histogram graph method and the Jarque-Bera statistical test as follows:

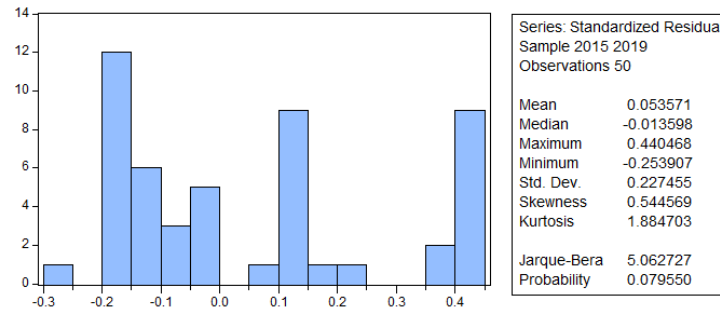


Figure 4.3.1. Data Normality Test Results

From these results the probability value is 0.079550. Then it can be said that the data is normal because the probability of jarque-fall (0.079550) > α (0.05).

4.3.2 Multikolinieritas Test

The multicollinearity test aims to determine whether in the regression model that is processed there is a correlation or relationship between the independent variables. This test has criteria, if the table exceeds 0.8, it is said that there is multicollinearity.

Table 4.3.2 Multicollinearity Test Results

	PBS	DPS	IAH
PBS	1.000000	0.163293	-0.158447
DPS	0.163293	1.000000	0.415343
IAH	-0.158447	0.415343	1.000000

Source: The results of data processing with Eviews version 10, 2020

From the table above, it can be seen that the coefficient value between the dependent variables does not exceed 0.80, thus the data in this study can be identified that there is no multicollinearity problem and this model can be used in estimating.

4.3.3 Heteroskedastisitas Test

The heteroscedasticity test aims to test whether there is an inequality of variants from the residuals of one observation to another in the regression model. Heteroscedasticity test in this study, researchers used the White test.

Table 4.3.3 Heteroscedasticity Test Results

F – Statistic	2.134601	Prob. F (9.40)	0.0489
Obs*R-squared	16.22272	Prob. Chi - Square (9)	0.0624

Scaled explained SS	11.10476	Prob. Chi – Square (9)	0.2686
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Source: The results of data processing with Eviews version 10, 2020

From the test results above, the Obs * R-Square probability value is 0.0624, indicating that the Obs * R-Square probability value is > 0.05. From these results it can be concluded that there is no heteroscedasticity in this study.

4.3.4 Autokorelasi Test

In this autocorrelation test, researchers used the Durbin-Watson test (DW test). In identifying the presence of autocorrelation, it is done by looking at the DW value and comparing it to the Durbin-Watson table.

Table 4.3.4 Autocorrelation Test

R – Squared	0.316522	Mean dependent var	-1.39E-18
Adjusted R-Squared	0.202609	S.D. dependent var	0.045492
S.E. of regression	0.040623	Akaike info criterion	-3.423333
Sum squared resid	0.069309	Schwarz criterion	-3.117410
Log likelihood	93.58334	Hannan-Quin criter	-3.306836
F-statistic	2.778627	Durbin-Watson stat	1.891001
Prob (F-statistic)	0.018128		

Source: The results of data processing with Eviews version 10, 2020

In table 4.3.4 above, the Durbin-Watson statistic is 1.891001. After that it is compared with the Durbin-Watson table which consists of two values, namely the upper limit (dL) and the lower limit (dU). With k = 4 because the number of independent and dependent variables is 4 variables and n = 50, it is obtained in the Durbin-Watson table ($\alpha = 0.05$) the dL limit is 1.3779 and dU is 1.7214. So it can be stated that the Durbin-Watson results are in the $dU \leq d \leq 4-dU$ or $1.7214 \leq 1.891001 \leq 2.2786$ so it can be stated that there is no autocorrelation of the data in this study.

4.4 Multiple Linear Regression Analysis

Multiple Linear Regression Analysis is shown to test how far the independent variables influence the dependent variable. The independent variables in this study are Profitability (X1), Sharia Supervisory Board (X2), Investment Account Holder (X3). And the dependent variable in this research is Islamic Social Reporting (Y). Testing is done by using the Random Effect Model method.

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Table 4.4. Results of Multiple Linear Regression Equations

Variabel	Coefficient	Std.Error	t-Statistic	Prob.
C	0.585388	0.042671	13.71878	0.0000
PBS	0.031762	0.014886	2.133630	0.0382
DPS	0.024985	0.012324	2.027307	0.0484
IAH	2.71E-05	1.07E-05	2.525418	0.0151

Source: The results of data processing with Eviews version 10, 2020

$$ISR = 0,585388 + 0,031762 \text{ PBS} + 0,024985 \text{ DPS} + 2.71E-05 \text{ IAH} + e$$

Information:

ISR : *Islamic Social Reporting*

DPS : *Profitability*

DPS : *Sharia Supervisory Board*

IAH : *Investment Account Holder*

α : *Constant*

e : *error, error rate*

Based on the multiple linear regression equation above, it can be analyzed the effect of each independent variable (independent) on the dependent variable as follows:

The constant α of = 0.585388 indicates that if the value of profitability, sharia supervisory board, investment account holder is zero, the disclosure of Islamic social reporting based on the ISR index is 58.54%, meaning that the disclosure of social responsibility carried out by Islamic banking tends to be moderate.

The regression coefficient value X1 has a positive relationship of 0.031762 for profitability, which means that for every 1% change in the value of profitability, the amount of Islamic social reporting disclosure will increase by 0.03% where other factors are considered constant.

The regression coefficient value X2 has a positive relationship of 0.024985 for the sharia supervisory board, which means that every 1 increase in the criteria for the sharia supervisory board, the amount of Islamic social reporting will increase by 0.02% where other factors are considered constant.

The regression coefficient value of X3 has a positive relationship of 2.71 for investment account holders, which means that for every 1% change in the value of investment account holders, the amount of Islamic social reporting will increase by 2.71% where other factors are considered constant.

4.5 Hypothesis testing

In testing the hypothesis of the panel data model used based on the Chow model test, it shows that the Fixed Effect Model is selected. The Hausman model test shows that the Random Effect Model is selected. The Lagrange Multiplier test shows that the Random Effect Model is selected. So from these results the panel model chosen is the Random Effect Model.

4.5.1. Coefficient of Determination

Table 4.5.1 Determination Coefficient Test Results

Weighted Statistic			
R – Squared	0.276880	Mean dependent var	0.211151
Adjusted R-Squared	0.229720	S.D. dependent var	0.032366
S.E. of regression	0.028406	Sum squared resid	0.037117
F-statistic	5.871082	Durbin-Watson stat	1.497891
Prob (F-statistic)	0.001759		

Source: The results of data processing with Eviews version 10, 2020

In table 10. shows the value of Adjusted R-squared = 0.229720 This value can be interpreted that the effect of profitability, the sharia supervisory board and investment account holders on Islamic social reporting in Islamic banking registered with the Financial Services Authority in 2015-2019 is 22.97%, while the rest is 77.03%. 77.03% is the contribution or influence of other variables outside of this research model.

4.5.2 Statistical test t

The t statistical test aims to determine the effect of each independent variable individually on the dependent variable, by assuming other variables are constant.

Table 4.5.2 Statistical Test Results t

Variabel	Coefficient	Std.Error	t-Statistic	Prob.
C	0.585388	0.042671	13.71871	0.0000
PBS	0.031762	0.014886	2.133630	0.0382
DPS	0.024985	0.012324	2.027304	0.0484
IAH	2.71E-05	1.07E-05	2.525418	0.0151

Source: The results of data processing with Eviews version 10, 2020

Partial test (t test):

1. *The first hypothesis (H₁)*

The results of statistical tests are in table 4.5.2 shows the probability result is smaller than the significance level (0.0382 <0.05). Then it can be concluded that H₁ is accepted, which means that partially profitability has a significant effect on Islamic social reporting. So in this case the hypothesis H₁ is proven.

2. *The second hypothesis (H₂)*

The results of the t statistical test in Table 4.5.2 show the probability result is smaller than the significance level (0.0484 <0.05). So it can be concluded that H₂ is accepted, which means that the sharia supervisory board partially has a significant effect on Islamic social reporting. So in this case the H₂ hypothesis is proven.

3. *Third hypothesis (H₃)*

The results of the statistical test in Table 4.5.2 shows the probability result is smaller than the significance level (0.0151 <0.05). So it can be concluded that H₃ is accepted, which means that the investment account holder partially has a significant effect on the disclosure of Islamic social reporting. So in this case the hypothesis H₃ is proven.

4.5.3. Model Test (F Statistical Test)

Table 4.5.3 F Test Results

Weighted Statistic			
R – Squared	0.276880	Mean dependent var	0.211151
Adjusted R – Squared	0.229720	S.D. dependent var	0.032366
S.E. of regression	0.028406	Sum squared resid	0.037117
F - statistic	5.871082	Durbin-Watson stat	1.497891
Prob (F-statistic)	0.001759		

Source: The results of data processing with Eviews version 10, 2020

Based on the results of table 4.5.3 above, it shows that the F-count probability value of 0.001759 is smaller than the significance level of 0.05 (0.001759 <0.05) so that it can be concluded that the predicted model is feasible to use to explain the effect of profitability, the sharia supervisory board, and investment account holder on the dependent variable, namely the effect of Islamic social reporting. Then the hypothesis H₄ is proven.

4.6. Interpretation of Research Results

4.6.1 Effect of Profitability on Islamic Social Reporting Disclosures

Based on the research results, the value of profitability partially has a significant effect on the disclosure of Islamic Social Reporting. This indicates that the higher the profitability value of a bank indicates that the bank has a good performance and has gained the trust of the public so that the products offered are in demand by customers, automatically this will increase the profit of a bank. When the bank gets a high profit, the funds allocated for corporate social responsibility activities will also be even higher, thus encouraging banks to increase their awareness of environmental and social problems around them. The results of this study are in line with research by Pratama et al., (2018) which states that profitability has a significant effect on the disclosure of Islamic social reporting. However, the results of this study are not the same as the results of research conducted by Rizfani and Lubis, (2018) which state that profitability does not have a significant effect on the disclosure of Islamic social reporting.

4.6.2 Effect of the Sharia Supervisory Board on Islamic Social Reporting Disclosure

Based on the research results, the value of the sharia supervisory board partially has a significant effect on the disclosure of Islamic social reporting. This proves that the sharia supervisory board in charge has quality, so the supervision will be tighter. The sharia supervisory board will seek to pressure banks to disclose social responsibility in an open, straightforward and transparent financial report. Because disclosure of social responsibility is an obligation of sharia banking, and disclosure openly, as is and transparently is the responsibility of the sharia supervisory board as supervisor and recommended in accordance with Islamic law. The results of this study are in line with Mukhibad's research (2018) which states that the sharia supervisory board has a significant effect on the disclosure of Islamic social reporting. However, the results of this study are not the same as the results of research conducted by setiawan et al., (2018) which states that the sharia supervisory board does not have a significant effect on the disclosure of Islamic social reporting.

4.6.3 The Effect of Investment Account Holder on Islamic Social Reporting Disclosures

Based on the research results, the value of Investment account holder partially has a significant effect on the disclosure of Islamic social reporting. This happens because of the large amount of capital that comes from customers, banks have an obligation to carry out Islamic social reporting as a form of their responsibility. Banks with high investment account holders perform Islamic social reporting as a form of their responsibility to the owners of funds that the funds channeled are used in accordance with Islamic law. The results of this study are in line with Mukhibad's research (2018) which states that investment account holders have a significant effect on the disclosure of Islamic social reporting. However, the results of this study are not the same as the results of research conducted by Yudhiyati and Solihin, (2016) suggesting that investment account holders do not have a significant effect on disclosure of Islamic social reporting.

4.6.4 Effect of Profitability, Sharia Supervisory Board, and Investment Account Holder on Islamic Social Reporting Disclosures

The regression model that is estimated is suitable to be used to explain the effect of profitability, the sharia supervisory board, and the investment account holder on the dependent variable of Islamic social reporting disclosure. Based on the results of the F test or simultaneously in table 4:11, the three independent variables in this study can jointly influence the disclosure of Islamic social reporting as the dependent variable. This is indicated by the F-count prob value of 0.001291 less than 0.05 which indicates a significant influence of the three variables simultaneously on the disclosure of Islamic social reporting. Another conclusion can also be drawn

is that profitability, sharia supervisory board, and investment account holders jointly influence the disclosure of Islamic social reporting for Islamic commercial banks in Indonesia.

V. CONCLUSIONS

5.1. Conclusion

Based on the analysis and discussion conducted by the researcher, the results of the study can be concluded as follows:

- 1. Partially, there is a significant effect of profitability on the disclosure of Islamic Social Reporting (ISR). This indicates that the higher the benefits obtained by Islamic banking, the more extensive the ISR disclosure it does..*
- 2. Partially there is a significant effect of the sharia supervisory board on the disclosure of Islamic social reporting. This shows that if the supervisory board fulfills the four IG-Score indicators, the ISR disclosure carried out by Islamic banking will be better.*
- 3. Partially, there is a significant effect of investment account holder on the disclosure of Islamic social reporting. The amount of capital that comes from customers, banks have an obligation to carry out ISR disclosures as a form of their responsibility.*
- 4. The test results simultaneously (together) show that profitability, the sharia supervisory board, and investment account holders have a significant influence on the disclosure of Islamic social reporting. This shows that the regression model is predicted to be feasible to estimate the disclosure of Islamic social reporting using the profitability variable, the sharia supervisory board, and the investment account holder.*

5.2. Suggestion

Based on the research results and conclusions, the following suggestions can be recommended:

- 1. For the company*
For Islamic banking, it is recommended to increase the disclosure of Islamic social reporting more broadly, especially on financial items that still produce low value, even though the bank is a financial institution that should have a broader level of financial disclosure and for regulators to create standard rules in determining the disclosure of Islamic social reporting for sharia based company.
- 2. For further researchers*
Future researchers are expected to add other variables besides profitability, the sharia supervisory board and investment account holders such as company size, leverage, company age and other factors. Further researchers are advised to conduct research with different sectors with a larger number of samples so that the research results have a broader scope.

5.3. Research Limitations

The following are the limitations of the author during conducting this research and further research development:

This study is limited to examining several factors that affect the disclosure of Islamic social reporting. There are many things that affect the disclosure of Islamic social reporting, but in this study it only involves 3 (three) independent variables, namely profitability, sharia supervisory board, investment account holder.

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