

ISLAMIC SOCIAL REPORTING AND FACTORS THAT INFLUENCE ITS DISCLOSURE PRACTICES AMONG COMPANIES LISTED IN INDONESIA SHARIA STOCK INDEK

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PREFACE

Assalamu'alaykum wr.wb.,

Welcome to the Proceeding of ICoSI 2019 – Social, Humanity and Education Track.

The Third International Conference on Sustainable Innovation 2019 has developed this proceeding. This event was held by Universitas Muhammadiyah Yogyakarta. It's a continuous work from the second one in 2014 which already has been published by Springer (<https://link.springer.com/book/10.1007%2F978-981-287-661-4?page=1#toc>). Unfortunately, the existence of the first conference cannot be traced down to provide the evidence of its continuity.

This book is presenting one track from 3 tracks that are composing the ICoSI 2019. With the theme of "Sustainable Innovation in Disruptive Era", this conference established two key points of "sustainability" and "innovation" which served as an umbrella theme for the three conference tracks. Indeed, it is not a purpose of simplification to put this vast of scope into one main focus; rather, to put the main theme of sustainability of innovation into view from different aspect of interest, especially related to the more humane dimension.

There are 4 focal conferences under the umbrella of Social, Humanity and Education: International Symposium of Humanity, Education, Religious studies and Social Sciences (ISHERS), International Conference on Islamic Economic and Financial Inclusion (ICIEFI), International Conference on English Language Teaching, Literature and Linguistics, and International Conference on Islamic Studies in Disruptive Era (ICISDE). Indeed, this proceeding book is a showcase of articles presented at the ICoSI 2019 covering various field of research composing of those focal conferences.

are coming from various field of research, the basic theme of sustainability innovation can be shown either explicitly from the title as well as from implicitly from the results of the work. The need to be sustainable and innovative is discussed variedly in the field of Management (e.g. "Why Companies Are Not Always Adopting Sustainable Innovation?"), Economics ("Creative Industry's Startup: How Can Investors Indicate Important Factors to Fund It?"), Financial ("How Does Islamic Financial Technology Influence Debtors' Preference in Islamic Rural Bank"),vor Education (eg. "The Boarding University Strategy in Developing E-Learning Based Multimedia Instructional", "A Systematic Review of Digital Literacy Training for High School Students", "Blended Learning as a Means of Promoting Autonomous and Collaborative Learning Experiences"), or Social (eg. "CSR for Child Poverty: Challenging Policy in Disruptive Era", "The Determinants of the Sustainable Slum Beautification Program").

In the production of this valuable work, let me convey my gratitude. First of all, to Allah swt, the mighty God, who has given the blessing, so this event has accomplished fruitful. To the Rector of Universitas Muhammadiyah Yogyakarta, especially for the Vice Rector for Academic Affairs who has taken the responsibility to assure this event was accomplished successfully. To all the participants who have share their ideas and effort to presenting their works. To all faculty members of UMY; Dean and Vice Dean, who have supported us in encouraging and supporting their faculty members in presenting their works. To all supporting staff of UMY in assuring the event was running very well. Last but not least, to all committee members of ICoSI, for their great effort and dedication; especially for the vice chairpersons who have given their full support, considering my paucity of experience and knowledge in conducting such a great event. For me they are not only associates but also the best of friends. Friends who have been spent the last year of sweat and tears to assure all preparation has done perfectly, almost. Just an expression, since there is no perfection in this earthy world, except in Jannah; the day after. Thus, hopefully, Allah would give you all the best of rewards there, in syaa Allah.

Wassalamu'alaykum wr.wb.

Iman Permana
Chairman of ICoSI 2019

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Islamic Social Reporting and Factors that Influence its Disclosures Practices among Companies Listed in Indonesia Sharia Stock Index

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Abstract—Islamic Social Reporting has been promoted as instrument to encourage business entities to comply with Islamic teachings. The objective of this research is to obtain empirical evidence about factors that influence Islamic Social Reporting disclosure for companies listed in Indonesia Sharia Stock Index. Population of this study is all companies listed during 2015-2016. One hundred sixty three samples were selected based on purposive sampling and the analysis was conducted by multiple regression method. The result shows that company size and the issuance of Islamic securities have positive effects on the disclosure of Islamic Social Reporting. On the other side, profitability, leverage and the size of commissioner board do not have effect on the disclosure of Islamic Social Reporting.

Keywords— Islamic Social Reporting (ISR); Company Size; Profitability; Size of Commissioner board; Islamic Securities; Leverage

I. INTRODUCTION

Corporate social responsibility (CSR) has been a concern in the past few decades because of closely related to the application of corporate business ethics. The concept of CSR or social responsibility has been carried out both in developed and developing countries (Kariza, 2014). This can be seen from the number of companies that have demonstrated their commitment to apply social responsibility practices to their stakeholders (Marharani and Yulianto, 2016). In Indonesia, the implementation of CSR was initially only voluntary, but then it is a must for every company since issuance of Act No. 40 of 2007 on Limited Liability Companies. The Act requires company to disclose social and environmental information in their annual report.

The main idea of the issue of CSR is to make companies not only have a single bottom line concept, but also have a triple bottom line concept. The single bottom line concept means that the company only looks at the records of the company's financial results in its operations and the company only think about their profits without taking social aspects into accounts. The triple bottom line concept is a form of corporate responsibility that covers not only economics aspect but also environmental and social for sustainable development (Widiawati and Raharja 2012).

Social responsibility disclosure practices is growing. This can be seen from the number of companies that have carried out social responsibility disclosures. The disclosures are not

only applied in conventional companies but also sharia companies or institutions. Jannah and Asrori (2016) said that companies that conduct sharia-based business activities should carry out their activities in accordance with Islam, which is guided by the Qur'an and al-hadith. So far, CSR disclosure in shariah compliance institutions uses Global Reporting Initiative Index (GRI Index) as measured by conventional institutions. Ideally, social responsibility practices carried out by conventional institutions and sharia compliance institutions should be different. This is because in the responsibility of sharia based institution is not only to humans but also to God the Creator of the Universe.

Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) has issued Islamic Social Reporting Index, or commonly called ISR (Azhar and Trisnawati, 2013). Initially ISR was initiated by Hanifah (2002) in her writing entitled "Social Reporting Disclosure: An Islamic Perspective". After that, the ISR was developed by Othman (2009) in Malaysia. The establishment of this ISR concept is because limitations on social responsibility in conventional institutions. Therefore, the existence of ISR is expected to become a standard in formulating social responsibility disclosure in sharia institutions.

Study on mandatory environmental disclosure policy and environmental disclosures had been undertaken in developing (Zheng et al. 2014) and developed countries (Choi et al. 2013; Kuo and Chen, 2013 and Chelli et al. 2014). Some studies examined the effect of the mandatory disclosure policy, while others examined the factors affecting firms in reporting their social and environmental disclosures. However, the development of ISR has made people more concerned about sharia institutions in Indonesia. Maulida, et al (2014) said that research on the ISR implementation is still mainly in sharia banking sector. This research is a compilation of research conducted by Kariza (2014) and Putri's research (2014). The difference is Kariza's study (2014) used the Jakarta Islamic Index (JII) while this study uses the Indonesian Sharia Stock Index (ISSI). Putri's research (2014) only examined variables of Islamic securities.

II. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

A. Legitimacy theory

Legitimacy theory explains social responsibility of the company regarding the surrounding environment, for example political, economic and social pressures. Legitimacy is defined by Suchman (1995) as 'a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions. Companies have a sustainable existence if the community can realize that the organization runs or operates in accordance with the communities' rules and norms.

Legitimacy theory requires companies to convince the public that the performance and activities of the company are acceptable. Therefore, a company must be able to carry out social responsibility towards the community, so that people can trust the company. To meet this expectation, companies must strive to harmonize themselves with the rules, norms and social values found in the community. In the company's annual report, there is information that is used to describe their environmental responsibility. Being acceptable by the public, it is expected that the value of the company can increase and the profits can be obtained. This in turn can encourage investors to make investment decisions (Widiawati and Raharja, 2012).

B. Stakeholder Theory

Stakeholder theory explains that a company does not run its business only for the benefit of the company itself but also to provide benefits to shareholders, the public and other parties. The company's existence is influenced by a support provided by stakeholders. Therefore the company needs to deliver their social responsibility.

In Islam, companies are expected to carry out social responsibility in accordance with sharia principles and prove that the company is carrying out its business activities in accordance with Islamic law. Islamic companies must carry out all activities in accordance with the rules that apply in Islam, carry out activities that are permissible by Islam and eliminate all activities prohibited by Islam (Kariza, 2014).

C. Corporate Social Reporting (CSR)

Basically, social responsibility or commonly referred to as Corporate Social Reporting (CSR) is a concept about the need for a company to build good relationships between the community and shareholders. In theory, CSR is a moral responsibility in the company to its stakeholders, especially to the environment and people around. With the existence of CSR, it is expected that the company will pay more attention to the surrounding environment and social in carrying out its operations (Ratnasari and Prastiwi, 2010).

Community wants transparency from the company as an application of Good Corporate Governance (GCG). This is a form of GCG implementation in the company in implementing CSR. In the past few years there have been many issues regarding the use of resources by companies both in large and small quantities. Therefore, the

implementation of CSR is important as they will think about social responsibility towards the community and the surrounding environment (Savira, 2015).

CSR has many meanings, one of which, according to The World Business Council for Sustainable Development (WBCSD) is a commitment from a company to carry out activities in accordance with behavioral ethics and corporate involvement in carry out development in a sustainable economy. This can be realized through cooperation with employees, the wider community in order to improve the quality of life in a useful way (Khoirudin, 2013). The concept of CSR can be divided into two points of view, the first concept is that the company has a goal to seek maximum profit so that CSR is a strategy used in a business operation. In the second concept, the company has the goal of seeking profit and the welfare of people by carrying out sustainable economic development where they operate.

D. Islamic social Reporting (ISR)

The concept of ISR in Islam that runs activities in accordance with sharia principles is expected to be able to run a business activity in accordance with Islam and also carry out social responsibility. In Qur'an, it is also explained that humans are caliphs on the earth. With humans becoming caliphs on the earth, humans have a responsibility to take care for all that is on the earth and also all the creations of Allah SWT. In this case, it is emphasized that humans must guard all of Allah's creations that are on the face of the earth within the scope of the company.

It is explained in the Qur'an Al-A'raf verse 56 as follows: "And do not cause damage on the earth after (Allah), and pray to Him with fear (will not be accepted) and hope (will be granted). Surely the mercy of Allah is very close to those who do well."

The meaning of the verse above explains that humans are not allowed to damage what is on the earth and also all its contents. Therefore, the concept of maintaining what is on the earth and all of its creations is a manifestation of accountability in the Islamic economy (Haniffa, 2002). This accountability is defined as creating fair, transparent and true disclosures. This accountability is also not only given to stakeholders but the most important thing is to Allah the God Almighty. One form of accountability is that in the perspective of Islamic economics is a reporting of corporate social responsibility with sharia principles.

E. Indonesia Islamic Stocks Index (ISSI)

There are many sources of fund in the business and investment world that can be accessed by the community, one of which is capital market. The development of the capital market in Indonesia is increasing rapidly. It develops not only in conventional scheme but also in Islamic capital market. Islamic capital market is not only regulated by Law, but also in accordance with sharia principles set out in the Quran and Al-Hadist. All activities carried out in the Islamic capital market are referred to as economic activities. According to Islam, which is explained in the jurisprudence there is a DSN fatwa No: 40 / DSNMUI / X / 2003 which states "basically, all forms of muamalah can be done unless

there is a proposition that forbids it". This concept is used as the basis for the establishment of Islamic capital markets in Indonesia.

The history of the development of a capital market begins with the establishment of PT. Danareksa Investment Management, which issued sharia mutual funds on July 3, 1997. On July 3, 2000, the Indonesia Stock Exchange (IDX) cooperated with PT Dana Mutual Investment Management issued Jakarta Islamic Index which aims to guide investors who have a special investment in accordance with Islamic teachings. The development of public interest and attention in sharia securities until finally the Indonesia Stock Exchange (BEI) issued a stock price index called the Indonesian Sharia Stock Index (ISSI) on May 12, 2011. The difference between the Indonesian Sharia Stock Index (ISSI) and the Jakarta Islamic Index is that if JII only registered 30 stock companies while the ISSI is all share companies in Indonesia that have been listed on the Indonesia Stock Exchange (IDX). To calculate ISSI, all shares in the List of Sharia Securities (DES) are evaluated and announced every six months (May and November).

F. Previous Studies

Previous study was conducted by Kariza (2014) on factors that influence Islamic Social Reporting (ISR) in companies listed in Jakarta Islamic Index. She used company size, profitability, environmental performance, leverage and liquidity as independent variables. Putri (2014) also investigated variable of sharia securities. This study will research companies in Indonesian Sharia Stock Index (ISSI) by using profitability, company size, board size and leverage as independent variable. Most studies on ISR are still oriented towards banking, while capital market research is still lacking in other sector.

Hypothesis Development

A. The effect of company size on Islamic Social Reporting

Big company has ability to do more activities that has large impact on the environment. This in turn has more social responsibility to be disclosed. On the other hand small-sized companies will have a small level of quantity of disclosure (Widiawati and Raharja, 2012). The larger the company will have more capital to be invested in the company that will make the company to have more pressure from the community to disclose their social responsibility (Putri, 2014). This is in line with stakeholder theory. Astuti (2014) and Putri (2014) showed that firm size has positive effect on ISR disclosure. With the description above it is proposed a following hypothesis:

H₁: Company size has positive influence on disclosure of Islamic Social Reporting (ISR).

B. The effect of profitability on Islamic Social Reporting (ISR)

Profitability can be used to see the effectiveness of management in disclosing social responsibility (Maulida et al 2014). The higher profits generated by the company the broader disclosure of social responsibility to be performed by a company. Companies with higher profits will have a

tendency to be more careful in making investment policies. Therefore, companies will be encouraged to disclose more detailed information in the annual report, thus more responsibilities to disclose. This is in line with the theory of stakeholders that there is positive influence of profitability towards ISR. This theory states that a company is not an entity that only operates for its own sake but to provide benefits to their stakeholders. The more powerful stakeholders, the greater efforts from the company to report. Widiawati and Raharja (2012) found that profitability has a positive effect on the disclosure of Islamic Social Reporting (ISR). Othman, et al (2009) also found that profitability has a significant positive effect on the level of ISR disclosure. Based on the above argument, it is proposed the following hypothesis:

H₂: Profitability has a positive effect on disclosure of Islamic Social Reporting (ISR)

C. The effect of board of commissioners's size on Islamic Social Reporting (ISR)

The size of the board of commissioners is the number of members of the board of commissioners in a company. The greater the size of the board of commissioners, the better the supervision is done. The existence of good supervision would drive company to disclose its responsibility better and wider. It is also expected that good supervision can reduce the occurrence of hidden information by management. This is in accordance with legitimacy theory, the existence of increasingly effective supervision, management can conduct company operations in accordance with sharia principles to contribute to the pursuit of economic prosperity for the community. Research conducted by Khoirudin (2013) showed that the size of the board of commissioners has a positive effect on ISR disclosure. Dewi and Priyadi (2013) also showed that the size of board of commissioners had a positive effect on the level of disclosure of social responsibility. So that the hypothesis can be proposed as follows:

H₃: The size of the Board of Commissioners positively influences the level of disclosure of Islamic Social Reporting

D. The effect of Sharia Securities on Islamic Social Reporting (ISR)

Islamic securities are securities in the capital market issued by companies that are used as source of fund. Research on the effect of sharia securities issuance on the level of ISR disclosure is still very limited. In this study, Islamic securities variable is adopted from Hossain et al. (2006) who identified sukuk seen from its presence in company reports in the study year. According to him, extensive information should be disclosed not only when securities are to be issued, but also as long as the securities are still a source of funding for the company. As long as the securities are still a source of fund for the company, additional information is needed to eliminate the security holders' doubts about the fulfillment of their rights.

The company discloses social responsibility with the aim that the public can pay attention and acknowledge the operation of the company. In addition, additional information is also needed as a form of monitoring securities holders for

the use of funds. A Muslim investor would want to know whether the fund they invest are actually used for activities that do not conflict with Islamic sharia. Companies that have Islamic securities in their annual reports are expected to carry out broader sharia social responsibility disclosures. This is in accordance with the theory of stakeholders that supports positive relationship between Islamic securities and ISR. This theory states that a company is not an entity that only operates for its own sake, but must also provide benefits to its stakeholders. Hossain, et al (2006) stated that securities issuance has a significant influence on voluntary disclosure, but Nugraheni and Wijanti's study (2012) revealed that sukuk issuance has no effect on the level of disclosure of social responsibility in the company. This study proposes the following hypothesis. H₄: Islamic securities have a positive effect on the level of disclosure of Islamic Social Reporting

E. The effect of leverage on Islamic Social Reporting (ISR)

Leverage ratio shows the extent to which companies use funds from outside parties in buying assets. Companies that have a low level of leverage will make an investor to invest, because investors are not worried about the company's ability to pay off its bonds. The company is said to be good by looking at the level of company leverage. The lower leverage ratio, the higher the level of corporate funding provided by shareholders and the greater the protection for creditors.

The results of research conducted by Firmansyah and Hariyanto (2014) indicated that leverage has a positive effect on ISR disclosure. With the above description, hypothesis five is proposed as follows:

H₅: Leverage has a positive effect on disclosure of Islamic Social Reporting

III. RESEARCH METHOD

A. Population, Sample and Data Collection technique

Population in this study are companies listed in the Indonesian Sharia Stock Index (ISSI) for 2015-2016. Samples are selected based on purposive method with the following criteria: (1) use Rupiah currency in their report; (2) published annual reports from 2015-2016, and; (3) make a profit during 2015-2016. Samples that met the criteria were 176 observations. Secondary data were obtained from the annual reports produced by the companies.

B. Dependent Variable

The dependent variable in this research is Islamic Social Reporting (ISR). ISR is a social responsibility disclosure carried out by a company that is in accordance with Islamic principles and is voluntary. This variable is measured using the ISR index in each company for each year. There are several indices used in previous studies, such as research conducted by Widiawati and Raharja (2012) who use the ISR index made by Hanifah (2002) and modified by Othman (2009) which is tailored by the researcher. This study uses 43 disclosure items which are arranged in six themes. Each item is given a value of 1 and 0. If the item in the ISR is disclosed in the company annual reported, it will be given a value of 1

while if the ISR item is not in the company annual report, it will be given a value of 0.

$$\text{Disclosure Level} = \frac{\text{number of discoure}}{\text{Number of maximum score}}$$

C. Independent Variable

Company size

Maulida, et al. (2014) stated that a company size is the size of the company that can be measured using several methods. In this study, company's size is measured based company's total assets. These company size variables are calculated using the following formula:

$$\text{Size} = \text{Ln}(\text{Total Asset})$$

Profitability

Brigham and Houston (2013: 149) said that profitability or return on equity (ROE) is the ratio of net income to common equity is used to measure the rate of return on investment of common shareholders. This profitability variable will be calculated based on the following formula:

$$\text{ROE} = \frac{\text{Net Profit After Tax}}{\text{Total Equity}}$$

Board of Commissioner size

The size of the board of commissioners is the number of its members in the board of commissioners in a company. This can be measured by calculating the number of members of the board of commissioners as informed in company's annual report.

Sharia Securities

Sharia securities are islamic based securities in the capital market that have been issued by companies as source of fund. Sharia Securities include several securities owned by companies such as sukuk, as well as sharia mutual funds that are used to fund company activities. As source of funding, extensive information regarding the source of funds and the usefulness of these funds must be clearly stated. This information should be disclosed not only when securities are to be issued, but also as long as the securities are still a source of funding for the company. In this study, Islamic securities is measured based on the number of islamic securities issues by the company.

Leverage

According to Sawir (2003: 13), the debt equity ratio (DER) is a ratio that describes the ratio of debt and equity in corporate funding. This shows the company's capability to fulfill all obligations. This leverage variable will be calculated using the following formula:

$$\text{DER} = \frac{\text{Total Liabilities}}{\text{Total Equity}}$$

Method of Data Analysis

Descriptive statistical analysis is used in this study to describe research variables. Descriptive statistics includes average value, standard deviation, minimum value and maximum value. Hypothesis in this study is tested by using multiple linear regression analysis to obtain coefficient of determination, F test (simultaneous test) and t test (partial significant test).

IV. RESULT

A. Descriptive Statistics Test

Table 1 shows the 163 samples in this study. The IS variable has an average value of 0.5713 or 57.13%. The minimum value is 0.30 or 30% and the maximum value is 0.77 or 77%. Meanwhile the standard deviation value is equal to 0.10572 or 10.572%. This data shows that the average disclosure of corporate social responsibility in Indonesia is quite good. Company size variables show a mean value of 28 billion, which means that companies in Indonesia have quite high assets. The highest asset is 33 billion while the lowest is 22 billion. Standard deviation value of the company size is 1.43%. Profitability variable has a mean value of 0.14596 or 14.59%. The maximum value is 1.360 and the minimum value is 0.02, while the standard deviation value is 0.155327 or 15.53%. The size of the board of commissioners has a mean value of 4.349. The highest number of Board of Commissioner is 12, the minimum is 2, and the standard deviation is 1.85770. Islamic securities variables have a mean value of 0.4601 or 46.01%. With a maximum value of 4 and minimum 0 and a standard deviation of 0.66894 or 66.8894. Leverage variable has a mean value of 1.0258. The maximum value is 18.21 and the minimum is 0.01 and the standard deviation is 1 maximum, minimum and standard deviation is 1.58496.

Table 1: Descriptive Statistics

Variables	N	Min	Max	Mean	Std. Deviation
Company size	163	22.97	33.20	28.8047	1.58701
Profitability	163	.002	1.360	.14596	.155323
Board of Commissioner's size	163	2.00	12.00	4.3497	1.85770
Sharia Securities	163	.00	4.00	.4601	.66894
Leverage	163	.01	18.21	1.0258	1.58496
ISR	163	.30	.77	.5713	.10572
Valid N (listwise)	163				

Before conducting a hypothesis test, a classic assumption test is conducted to test whether the regression model can be applied in testing the research hypothesis. The classic assumption test used is the normality test, multicollinearity test, heteroscedasticity test and autocorrelation test. Normality testing using the Kolmogorov-Smirnov (KS) test, multicollinearity testing is done by analyzing the correlation between variables and calculation of tolerance values and variance inflation factor (VIF), heteroscedasticity test using the glejser method, while the autocorrelation test is done using the Durbin-Watson test (DW). Based on the results of these tests, the model has met the classical assumptions, so

that the regression model can be applied in testing the research hypothesis. The results of ISR disclosure analysis content can be seen from each ISR index disclosure theme to see the consistency of disclosures in each theme.

B. Hypothesis Testing

The determinant coefficient test can be seen through the value of Adjusted R Square which functions to see the magnitude of the influence of the independent variables. Table 2 shows the results of R² which is equal to 0.368 which means that 36.8% of ISR disclosure is influenced by company size, profitability, board size, sharia securities and leverage. While 62.4% of ISR disclosure is influenced by other variables.

T test was conducted to show how significant the influence of independent variables individually on the dependent variable. The results of this test can be seen in table 2.

Table 2: Regression Result

Variables	B Value	Sig. Value
Constant	-.420	.009
Company size	.033	.000
Profitability	.040	.353
Board of Commissioner's size	.004	.402
Sharia Securities	.029	.007
leverage	.004	.383
Adj R Square		.368

Based on the table above, the multiple linear regression equation is obtained as follows:

$$ISR = -0,420 + 0,033 UP + 0,040 SIZE + 0,004 UDK + 0,029 SBS + 0,004 DER + e$$

V. DISCUSSION

A. The Effect of Company Size on ISR Disclosure

The statistical test shows that the size of the company has a positive effect on the disclosure of Islamic Social Reporting. This means that the size of the company will affect the disclosure of Islamic Social Reporting. The results of this study prove that large companies will have a lot of activities so that they will carry out many social activities. With the increasing size of the company, it will make the company to receive pressure from outside parties to report their social activities, which at the public concern. This supports the research conducted by Putri (2014) which shows that the size of the company influences the disclosure of Islamic Social Reporting. This research is also consistent with research conducted by Astuti (2014) stating that firm size also influences the ISR disclosure.

B. The influence of profitability on ISR disclosure

The result of second hypothesis test shows that profitability does not affect the disclosure of Islamic Social Reporting. This means that companies that have high profits do not always do a lot of disclosure of social responsibility. In companies that have low profits, the company may argue

that report users are happy to read good news or reports about the performance of the company in the social field. Conversely, in companies that obtain high profits will argue that the company does not need to report information that can disrupt the success of the company regarding the company's financial statements.

The results of this study are in accordance with research conducted by Ningrum, et al (2013) which revealed that profitability does not affect the disclosure of Islamic Social Reporting (ISR). However, this is contradict to the research conducted by Maulida, et al (2014) and also the research conducted by Firmansyah and Hariyanto (2014) which states that profitability affects ISR disclosure.

C. The influence of Board of Commissioners on ISR disclosure

The results of testing the third hypothesis prove that the size of the board of commissioners does not affect the disclosure of Islamic Social Reporting. This result means that the size of the board of commissioners in the company does not affect the quality of company information disclosure. The influence of the size of the board of commissioners on ISR disclosure is likely because the board of commissioners has the duty to supervise the management of the company carried out by management. Therefore the board of commissioners will make a profitability policy by using company profits to carry out operational activities in company that is more profitable than doing a social activity. In this case the size of board of commissioners does not guarantee that the company conducts good supervision. The results of this study are consistent with the research conducted by Jannah and Astuti (2016) which proves that the size of audit committees do not affect the Islamic social reporting.

D. The effect of sharia securities on ISR disclosure

The results of fourth hypothesis test prove that Islamic securities have a positive effect on Islamic Social Reporting disclosure. This is in accordance with legitimacy theory, where legitimacy theory describes a contract carried out between social institutions and the community. Companies that disclose social responsibility will be a concern of the public and have additional information regarding the recognition of funding for activities that are in accordance with sharia principles. So that companies that have securities will also make the level of disclosure of Islamic Social Reporting better.

The result of this study is supported by research conducted by Raditya (2012) suggesting that sukuk issuance has an effect on corporate social responsibility disclosure. Similarly, Sossain, et al (2006) also found that the issuance of securities has a significant effect on voluntary disclosure.

E. The effect of leverage on ISR disclosure

The result of fifth hypothesis test indicates that the leverage variable has no effect on ISR disclosure. The lower the level of leverage will make the high level of funding of a company, so that many companies may not be able to pay off an obligation. This finding is not in line with the research conducted by Firmansyah and Hariyanto (2014) said that leverage variables have an influence on ISR disclosure, but this supports research from Kariza (2015), and Dewi (2012)

which shows the results of research that the leverage variable has no effect on ISR disclosure.

VI. CONCLUSION, LIMITATIONS AND SUGGESTION

Variable size of the company has a positive effect on disclosure of Islamic Social Reporting (ISR). The results of the analysis were obtained from a significance value of 0,000 <0,05. Thus the H1 hypothesis in this study was accepted. Variable profitability does not affect the disclosure of Islamic Social Reporting (ISR). The results of the analysis obtained from the significance value of 0.353 > 0.05. Variable size of board of commissioners does not affect the disclosure of Islamic Social Reporting (ISR). The results of the analysis were obtained from a significance value of 0.402 > 0.05. Islamic securities variables have a positive effect on disclosure of Islamic Social Reporting (ISR). The results of the analysis were obtained from a significance value of 0.007 <0.05. Thus the H4 hypothesis in this study was accepted. Variable leverage does not affect the disclosure of Islamic Social Reporting (ISR). The results of the analysis obtained from the significance value of 0.383 > 0.05. Thus the hypothesis H5 in this study was rejected.

Suggestion 1. Further research is expected to add years of longer observation so that it can provide greater possibilities regarding changes that actually occur within the company. 2. To reduce the level of subjectivity, the next research is expected to involve other people in assessing the score on the ISR disclosure index. 3. For further research, it is expected to be able to add variables or use other variables that are considered to influence the level of ISR disclosure such as earnings management, tax avoidance

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