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# Analysis of factors affecting the disclosure of Islamic social reporting (An empirical study on the Sharia Securities List)

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A B S T R A C T

*This study aims to find the empirical evidence of the factors affecting Islamic Social Reporting (ISR) in the Sharia compliant companies in Indonesia. The factors are concerned with such as company size, profitability, industry type, and ownership of Is-lamic securities. The measurement for Islamic Social Reporting is based on the Islamic Social Reporting Index developed by Othman and Thani (2010). It used purposive sampling to get the sample using companies listed in Sharia Security List of the year 2013. Besides that, it used the analytical techniques that is multiple regression method and it shows that company size positively affects the Islamic Social Reporting (ISR) disclosure, meanwhile profitability, industry type. However, the Islamic securities ownership has no significant effect on the Islamic Social Reporting (ISR) disclosure in Indonesian Sharia Compliant companies.*

A B S T R A K

*Penelitian ini bertujuan untuk memperoleh bukti empiris mengenai faktor-faktor yang mempengaruhi pengungkapan Islamic Social Reporting (ISR) pada perusahaan yang sesuai syariah yang terdaftar di Daftar Efek Syariah (DES). Variabel yang diteliti meliputi ukuran perusahaan, profitabilitas, tipe industry dan kepemilikan surat ber-harga syariah. Pengukuran ISR menggunakan indeks yang dikembangkan oleh (Oth-man and Thani 2010). Penelitian ini menggunakan purposive sampling pada perusa-haan yang terdaftar di DES. Teknik analisis menggunakan regresi berganda dan men-dapatkan hasil bahwa ukuran perusahaan berpengaruh positif pada pengungkapan ISR, sementara profitabilitas, tipe industri dan kepemilikan surat berharga syariah tidak berpengaruh pada pengungkapan ISR di perusahaan yang terdaftar di DES Indonesia.*

## 1. INTRODUCTION

Corporate Social Responsibility (CSR) of a business organization has got attention from stakeholders. CSR activities are important for companies to demonstrate their commitment to the society, including in Islamic organization. In this case, sharia compliant companies, which their activities are contrary with Sharia principles, have purpose either making a profit or contributing to society in terms of economic and environmental sustainability. However, CSR by Sharia Compliance Companies (SCC) is expected to also have religious content to demonstrate the company's commitment to the principles of Islam. This is because CSR contains religious values that are often referred to as Islamic Social Reporting (Othman and Thani 2010). Thus, CSR has crucial function for companies to perform their accountability and to unlock new sources of revenue and growth (Roitto 2013).

CRS shows the company's concern to the presence of the parties affecting the performance of the companies and their environment. By this token, it also discloses the companies' activities not only the financial performance but also social performance. It also discloses the environment impact resulting from companies' activities (Istianingsih 2015). In this respect, Siwar and Hossain (2009) stated that companies can use the values of Islam as guidelines for implementing social responsibility.

In general, CSR for sharia compliant company has the same regulation as conventional company. However, Islamic social disclosure practice should

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be different from conventional reporting because their focus of information is also different. Therefore, CSR disclosure by SCC is expected to have a higher quality than conventional companies (Zainal, Zulkifli, and Saleh 2013). For this purpose, Haniffa (2002) suggested that CSR become one of the ways for management to perform their accountability toward God and human beings. In this, Islamic Social Reporting could assist decision making for Muslim investors and also assist the companies for their responsibilities towards Allah and society. Thus, Islamic Social Reporting (ISR) provides information related to the fulfillment of companies' obligations in accordance with sharia principles.

According to Ibrahim and Marshall 2013, there is no significant difference in the CSR disclosure between three categories of companies, SCC, non-SCC and delisted and listed companies in Bursa Malaysia. Some previous studies have tried to identify the factors that affect the disclosure of CSR in the Company registered in the Islamic capital market such as profitability, company size, and industry type, (Istianingsih 2015); (Othman and Thani 2010); (Marfuah and Cahyono 2011) with varying results.

Othman and Thani (2010) found that company size, profitability, and the size of the board of directors of Muslims significantly affect the level of disclosure of ISR in Malaysia. Another research by Nugraheni and Anuar (2014) indicated that company size and industry type affect the quality of voluntary disclosure in companies listed in the List of Sharia Securities in Indonesia, while the profitability, the auditor and the type of ownership structure has no effect to CSR. Istianingsih (2015) found that company size has positive effect on CSR disclosure of Indonesian Listed companies, profitability has no effect on CSR disclosure, and companies in high profile industry have greater CSR disclosure than low profile industry.

The purpose of this research is to test whether the size of the company, profitability, industry type and Islamic securities affect the Islamic Social Reporting (ISR) disclosure by sharia compliant companies listed in the List of Sharia Securities in Indonesia. This study also tries to add Islamic securities issued by SCC as an influential factor on the disclosure of ISR. If companies offer various securities to invest to them, many investors will have various options when building financial portfolios (Khatkhatay and Nisar 2007). The issuance of other Islamic securities will increase the self-confidence of companies to disclose more extensive information to the society

As suggested by Meek, Roberts, and Gray (1995), company size and type of industry should be identified as important determinants in explaining voluntary disclosures. Previous studies also suggested that economic performance (i.e. profitability) was commonly used to examine the influence of voluntary disclosure (i.e. Ousama and Fatima 2010; Istianingsih 2015). Therefore, three variables of company characteristics such as profitability, company size, and type of industry that have been tested in previous studies are included as independent variables in this study. The results are mixed although those characteristics may or may not have relation with the level of companies' voluntary disclosure

This study tries to add Islamic securities issued by SCC as an influential factor on the disclosure of ISR. If companies offer various securities to invest to them, many investors will have various option when building financial portfolios (Khatkhatay and Nisar 2007). The issuance of other Islamic securities will increase the self-confidence of companies to disclose more extensive information to the society. Therefore, The purpose of this research is to test whether the size of the company, profitability, industry type and the ownership of Islamic securities affect the Islamic Social Reporting (ISR) disclosure by sharia compliant companies listed in the List of Sharia Securities in Indonesia.

The research on ISR is important because of the high growth of sharia compliant companies. In addition the research on the ISR is also expected to provide some benefits: firstly, for the company, it can take into consideration to disclose CSR that contain religious values (ISR) which is adequate and in accordance with Islamic principles. As a corporate citizen, SCC has obligation to be engaged in charitable activities and treat justly for all stakeholders as taught in Islam (Ousama and Fatima 2010). Secondly, for investors, they can do special considerations to assess the extent to which the performance of company is in accordance with sharia. The growth of Sharia compliant companies provides good opportunity for shareholders, especially religious shareholders to engage in investment activities without being fear of violating Shariah principles. Thirdly, the government can draw up rules regarding CSR that must be disclosed by sharia compliant companies.

## 2. THEORETICAL FRAMEWORK AND HYPOTHESES

Legitimacy theory states that the company operates in the external environment that is constantly changing and they must ensure that the performance of the company is in accordance with the norms of society (Brown and Deegan, in Michelon and Parbonetty 2010). Suchman (1995) defines legitimacy as public perception or assumption that the action of an entity is an expected action, right and in accordance with the norms, values and belief of the society. Further, Suchman (1995) divides legitimacy into three groups, namely (1) pragmatic legitimacy, which depend on the interest of organization to serve the most important stakeholder. The organization can consider the stakeholder based on various factors such as politics, economic or social interest, (2) moral legitimacy, which reflect a positive normative evaluation of the organization and its activities and (3) cognitive legitimacy explains the dynamics of legitimacy based on cognition rather than on interest or evaluation.

Legitimacy from stakeholder is also an important factor to maintain the sustainability of companies. Therefore, companies must try to align their behavior with stakeholders' expectation to maintain their existence (Colleoni 2013). One way to achieve legitimacy is by disclosing enough social information for society as a sign that companies is a good corporate citizen (Guthrie and Parker, 1989).

Financial Services Authority of Indonesia (OJK) defines Islamic capital market as an activity in the capital market that is stipulated in the Capital Market Law. In that, it should not conflict with Islamic principles. Yet, the list of sharia securities list (SSL) is a collection of securities that are not contrary with Sharia principles in Capital Markets. This is as endorsed by Bapepam-LK or party approved by Bapepam-LK. Securities registered in SSL must meet certain requirements which is the activity of company must be based on Islamic principle and meet the financial ratios as follows: (1) total interest-based debt compared to total asset no more than 45% and (2) total interest income and other non-halal income compare to total operating revenue and other income no more than 10%.

The presence of the sharia compliant companies provides a good prospect for Islamic investors to participate in economic activities in accordance with Islamic principle. These investors will consider not only the financial performance of company, but also the suitability of activities with Islamic principles. According to Nugraheni and Anuar (2014), society will put greater expectation on the environmental performance and social activities of the SCC compared to non-SCC. Their expectation can be realized in the form of disclosure of *Islamic Social Reporting* (ISR). Othman, Thani, and Ghani (2009) examine factors that may influence a company to provide Islamic social reporting (ISR). Using top *Shariah*-approved companies listed in the Bursa Malaysia as the sample study, Othman et al. (2009) identify four company's characteristics, namely size, profitability, board composition, and type of industry as independent variables and their influences toward ISR disclosure. The results show that three of the factors chosen, which are size, profitability, and board composition, significantly influence a company in determining Islamic social reporting.

Human beings as the *khalifah* of Allah have their responsibility to maintain and preserve the entire creation of Allah including natural resources managed by the companies. This responsibility should be realized in the form of disclosure of information about the company's relationship with the community, use of resources and preservation of the environment and contribution to social activities (Haniffa 2002). The responsibility of maintaining and preserving the entire creation of Allah is a form of accountability in the concept of Islamic economics. Accountability is intended to produce the right, fair, and transparent disclosure which is divided into primary accountability and secondary accountability (Shahul Hameed, Fatima, A and Htay, SN 2006).

Accountability is not only performed to the stakeholders (secondary accountability) but mainly to Allah SWT as a creator of the resources (primary accountability). One form of accountability in the perspective of Islamic economics is reporting the CSR in accordance with Islamic principles. The society's expectation for the high disclosure of CSR for general companies also affects the desire of Muslim to get *social reporting*. In this case, *Social Reporting* is an extension of the financial reporting system that reflects wider aspect of companies to be disclosed to the community with respect to the business community's role in the economy (Haniffa 2002).

## Development of the Hypotheses

### Company Size and Islamic Social Reporting

Previous studies argued that company size affect the company's disclosure. The large size of the companies tends to disclose greater information. There are some arguments by the researchers in relation to this evidence. First, it is associated with broader ownership structure in large companies that demand the large disclosure of information to meet the stakeholders'' different needs (Hossain, Perera and Rahman, 1995). Second, large compa-

nies have more resources than the small companies, in terms of facilities and human resources. They also have more activities and are more involved in the community. This condition encourages them to disclose more information to perform their accountability to the stakeholders. Hence, they could do more disclosure of CSR, primarily, associated with Islamic principles (Othman et al. 2009). For example, Haniffa and Cooke (2005) had shown that the size of the company measured by using a proxy total assets had a significant positive effect on the level of disclosure mandatory or voluntary. This is because the ability to arrange the report and disclose ISR activities needs adequate financial and human resources. And, large company can do such activities easier than small ones. Based on this argument, the first hypothesis is stated as the following:
H1: Company size has a positive effect ISR disclosure.

**Profitability and Islamic Social Reporting**
Profitability is an important factor for the company to survive and it is one of the factors that affect the disclosure of corporate social responsibility (CSR). High profitability shows that the company has sufficient financial resources to finance the process of reporting and disclosure of CSR (Meek et al., 1995). Doing CSR activities and disclosing them need financial and human resources for performing the CSR activities. In addition, high profitability gives freedom and flexibility of management to undertake and reveal more extensive disclosure to stakeholders at once, showing the companies' contribution to society's well-being (Haniffa and Cooke 2005). Again, from Islamic perspective, companies must be willing to provide full disclosure whether they get high profit or not. ISR disclosure is moral obligation of company to give adequate information to the stakeholders. By doing so, they can make economic and religious decision based on that adequate information. Specifically, ISR disclosure is an implementation of companies adherence to Islamic principles (Haniffa and Hudaib 2007). More importantly, companies with good financial condition will also have discretion to do any useful activities. From these arguments, the second hypothesis is stated as the following.
H2: Profitability has a positive effect on ISR disclosure.

**Industry Type and Islamic Social Reporting**
The type of industry is also one of the potential factors affecting the practice of corporate social disclosure (Ousama and Fatima 2010). Othman et al. (2009) also stated that a certain type of industry may decide to place more weight in specific information that may not be important for another companies in different industries. The scope of CSR disclosure is sometimes influenced by the type of the companies' activities. In this case, manufacturing companies tend to disclose more information about environmental sustainability (Haniffa and Cooke 2005). These companies change the raw material into finished good. The use of raw materials in industry activities encourages companies to demonstrate social activities as evidence that they are still responsible for their environment. Therefore, the third hypothesis of this research is stated as the following:
H3: Industry type has a positive effect on ISR disclosure.

**Ownership of Sharia Securities and Islamic Social Reporting**
Investors decide to select the good business based on certain criteria such as quality products, safety, staff management, and customer relations (Wilson, 1997). Further, Wilson (1997) also stated that bad companies are evaluated based the type of business they do such as those allowing gambling or pornography, or they are engaged in tobacco or alcohol production or distribution. Therefore, Islamic investors will choose which companies do not violate the Islamic principles as doing all the above.

Islamic capital markets have issued their securities, which are not contrary to Islamic principles, such as Islamic governance securities, securities issued by public company. They companies stated that the business activity should be based on Islamic principle, *sukuk* and Islamic mutual fund, used to finance the company's activities. As one of the sources of funding, the information related to this fund and their purpose of these funds should be clearly disclosed. Thus, the various financing resources of the companies, according to sharia principle are expected to strengthen the companies' reputation and it is related to the motivation of company to disclose ISR. Based on the above description, the fourth hypothesis is stated as the following.
H4: Ownership of sharia securities has a positive effect on ISR disclosure.

## 3. RESEARCH METHOD
**Population and Sample of the Research**
The population in this study is the companies included in the List of Sharia Securities in 2013. The

**Table 1**
**The Result of Descriptive Statistics**

| | UK | ROE | TI | SBS | ISR |
|---|---|---|---|---|---|
| N | 227 | 227 | 227 | 227 | 227 |
| Mean | 28.2599 | 13.5859 | .3480 | .6035 | 20.0132 |
| Std. Error of Mean | .11844 | .86904 | .03169 | .04466 | .48487 |
| Mean | 28.0000 | 11.0000 | .0000 | 1.0000 | 18.0000 |
| Std. Deviation | 1.78448 | 13.09345 | .47739 | .67285 | 7.30528 |
| Variance | 3.184 | 171.438 | .228 | .453 | 53.367 |
| Skewness | -.421 | 3.497 | .642 | .760 | .304 |
| Std. Error Skewness | .162 | .167 | .162 | .162 | .162 |
| Kurtosis | .884 | 24.107 | -1.602 | -.156 | -.860 |
| Std. Error Kurtosis | .332 | .332 | .322 | .322 | .322 |
| Range | 11.00 | 126.00 | 1.00 | 3.00 | 30.00 |
| Minimum | 22.00 | .00 | .00 | .00 | 6.00 |
| Maximum | 33.00 | 126.00 | 1.00 | 3.00 | 36.00 |
| Percentiles | | | | | |
| - 10 | 26.0000 | 1.0000 | .0000 | .0000 | 11.0000 |
| - 90 | 30.0000 | 26.2000 | 1.0000 | 1.2000 | 30.0000 |

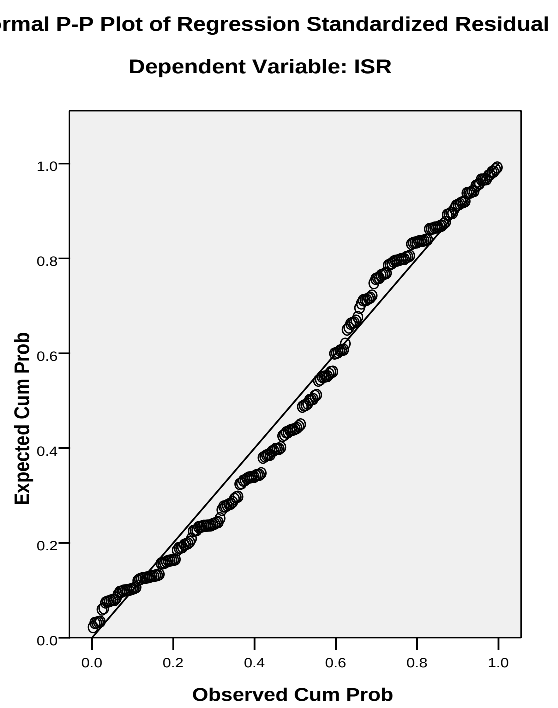


**Figure 1**
**Normality Test**

study uses purposive sampling method that is the companies that published annual report in that year and these companies also provided their complete data. Annual reports of SCC in 2013 were taken from either website of Indonesian stock exchange or their own website.

**Operational Definition of the Variables**
**Dependent Variables**

1. Islamic Social Reporting (ISR)

In measuring the ISR disclosure, the study uses ISR index from (Othman et al. 2009) that consist of 46 items with 6 themes such as financing and investment, products and services, employees, communities, environment, and corporate governance. The study measures these items using dummy variables, score 1 if the item is disclosed by company and 0 if otherwise. The formula is as the following.

$$\textit{Disclosure Level} = \frac{\textit{Number of item disclosed by company}}{\textit{Number of item should be disclosed by company}} . \quad (1)$$

**Independent Variables**

This study replicates some independent variables

**Table 2**
**Multicolinearity Test**

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Colinearity Statistic | |
|---|---|---|---|---|---|---|---|
| | B | Std. Error | Beta | | | Tolerance | VIF |
| 1 (constant) | -9.848 | 7.669 | | -1.284 | .200 | | |
| UK | 1.033 | .273 | .252 | 3.785 | .000 | .938 | 1.067 |
| ROE | -.002 | .036 | -.004 | -.055 | .956 | .995 | 1.005 |
| TI | 1.782 | 1.005 | .116 | 1.774 | .077 | .966 | 1.035 |
| SBS | .122 | .729 | .011 | .167 | .867 | .925 | 1.081 |

Dependent Variable: ISR.

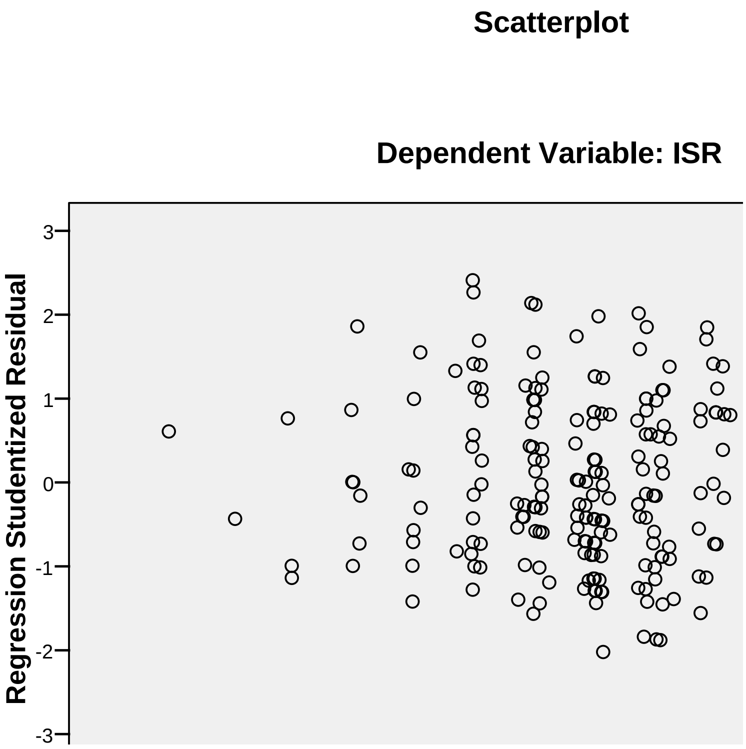


**Figure 2**
**Result of Heteroscedasticity Test**

that have been tested as the factors correlated to voluntary disclosure in the previous studies (Haniffa and Cooke 2005; Othman et al. 2009); and (Istianingsih 2015). These variables are company’s size, profitability, type of auditor, types of industry, and ownership structure. The independent variables were selected based on the most commonly used variables in the previous studies related to voluntary disclosure.

1. Company Size
   This study used total assets as an instrument to measure company size (Othman et al. 2009). The data were acquired from the statement of financial position at the end of the period in the company's annual report.
2. Profitability
   Profitability is the company's ability to earn a profit. The value of the company's profitability was measured using Return on Equity (ROE). ROE as a proxy for profitability was also used in previous research such as Haniffa and Cooke (2005).
3. Industry Type
   The type of industry is a classification of companies based on their business they carried. For measuring the type of industry, this study used dummy variable, which were grouped into manufacturing and non-manufacturing companies, with a value of 1 for the manufacturing companies and the value 0 for the non-manufacturing companies (Othman et.al 2009)
4. Ownership of Sharia Securities
   This study identifies Islamic securities issued by company by using interval scale with a value of 0 for the ownership of one type of Islamic securities. For example, the value of 1 is for their

**Table 3**
**Result of Adjusted $R^2$**

Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Waston |
|---|---|---|---|---|---|
| 1 | .273 | .075 | .058 | 7.08990 | 1.994 |

Predictors: (constant), SBS, ROE, TI, UK
Dependent Variable: ISR

**Table 4**
**The Statistic Result of F-test**

ANOVA

| Model | Sum of Square | Df | Mean Square | F | Sig |
|---|---|---|---|---|---|
| 1 Regression | 901.746 | 4 | 225.436 | 4.484 | .002 |
| Residual | 11159.214 | 222 | 50.267 | | |
| Total | 12060.960 | 226 | | | |

Predictors: (constant), SBS, ROE, TI, UK
Dependent Variable: ISR

**Table 5**
**The Result of t-test**

Coefficients

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Colinearity Statistic | |
|---|---|---|---|---|---|---|---|
| | B | Std. error | Beta | | | Tolerance | VIF |
| 1 (constant) | -9.848 | 7.669 | | -1.284 | .200 | | |
| UK | 1.033 | .273 | .252 | 3.785 | .000 | .938 | 1.067 |
| ROE | -.002 | .036 | -.004 | -.055 | .956 | .995 | 1.005 |
| TI | 1.782 | 1.005 | .116 | 1.774 | .077 | .966 | 1.035 |
| SBS | .122 | .729 | ,011 | .167 | .867 | .925 | 1.081 |

Dependent Variable: ISR

ownership of the two types of Islamic securities, as well as the value of 2 is used for their ownership of the three types of Islamic securities or more.

**Data Analysis Technique**

Descriptive statistics was used to describe the variables for measuring the mean, minimum, and maximum data. This study also sued a classical assumption to examine the normality, multicollinearity, heterocedasticity, and autocorrelation.

Multiple regression analysis was used to determine the effect of company's size, profitability, industry type, and Islamic securities toward ISR disclosure. The regression model in this study is as follows:

$ISR = a + \beta\ 1\ UK + \beta\ 2\ ROE + \beta\ 3\ TI + \beta\ 4\ SBS + e.$ (2)

Where:

*ISR* : The level of Islamic Social Reporting
*a* : Regression Accepted
*β i* : Parameter estimated
*UK* : Company Size, Total Assets (Ln)
*ROE* : Profitability, ROE
*TI* : Type of industry,
*SBS* : Ownership of Sharia Securities
*e* : Error term.

The hypothesis testing is described by using t-test and F-test, with a value of α = 5%.

## 4. DATA ANALYSIS AND DISCUSSION

**Analysis of Descriptive Statistics**

There are 313 sharia compliant companies in Sharia Securities List in the year 2013. According to the completeness of the data needed by the research, only 227 companies which were complied with the criteria of this study (see Table 1 for summary result).

This study had passed the classic assumption test including the test of normality, multicollinearity, and heterocedasticity. The normality test is important to determine whether the data have normal distribution or otherwise. Figure 1 shows that the points spread around the diagonal line, and follow the direction of the diagonal line that indicates a regression model to the companies' ISR disclosure. In fact, they met normality assumption.

Multicolinearity test aims to test whether the regression model finds a correlation between independent variables. Table 2 shows the tolerance value of company size, profitability, type of industry, and ownership of Islamic securities in which it is higher than 10% or 0.10. The VIF value for all independent variables is less than 10. In this evidence, it can be concluded that there is no multicolinearity in those variables.

Heterocedasticity problem can be detected by looking at the plot between the residual value estimates using scatterplot graph. Heteroscedasticity test results can be shown in the graph as in Figure 2. Figure 2 shows that the points are above or below 0 on the Y line that is spread randomly. Therefore, it can be concluded that the regression model has no heterocedasticity problem.

**Test of Coefficient of Determination (Adjusted R Square)**

Based on Table 3, the coefficient of determination (Adjusted R Square) is 0.058 or 5.8%, which means the dependent variable (ISR disclosure) can be explained by the independent variables for 5,8%, while the remaining 94.2% is explained by other variables not examined.

Table 4 indicates whether all the independent variables in the model have influence in the ISR disclosure. The Sig value shows 0.002 < 0. 05, meaning that independent variables such as company size, profitability, industry type and sharia securities affect the disclosure of ISR.

T-tests were used to determine the influence of each independent variable individually toward dependent variable. Based on Table 5, the result of t-test can be described as the following.

1. Company size and Islamic Social Reporting Disclosures

Table 5 shows that the company size has a regression coefficient of 1.033 with a significance of 0.000 <0.05 so that it has a positive and significant impact on the ISR disclosure, therefore H 1 is accepted.

This result is the same as the previous study conducted by Ousama and Fatima (2010) and (Istianingsih 2015) stating that the company size has a positive impact on the CSR disclosure. It means that the bigger a company, the higher the level of disclosure ISR conducted by the company. Large companies certainly have the resources, facilities, and human resources more than the smaller companies. Furthermore, large sharia compliant company will involve large Muslim stakeholders who affect or be affected by the company's business activities. Thus, large SCC tends to disclose social responsibility more than the small SCC.

2. Profitability of the Islamic Social Reporting Disclosure

The profitability (ROE) has regression coefficient of -0.002 with a significance of 0.958 < 0.05, meaning that profitability does not influence ISR disclosure therefore H2 is rejected. The result is consistent with the research conducted by Istianingsih (2015) in which she did not find any significant effects of profitability on CSR disclosure, but it is not consistent with Marfuah and Cahyono (2011).

This study indicates that SCC may not consider their profitability in determining the scope of ISR disclosure. High or low profitability earned by companies, they will disclose ISR. ISR disclosure becomes the obligation of company to inform their activities to perform their accountability. Islamic investors will evaluate a company not only from their profit, but how the company’s activity is in accordance with Islamic principles.

3. Type of Industry of the Islamic Social Reporting Disclosures

Table 4 indicates that industry type has a regression coefficient of 1.782 with a significance of 0,770 > 0.05 thus this variable does not significantly affect the ISR Disclosure. Then H 3 rejected. The result is inconsistent with the research of Nugraheni and Anuar (2014) but consistent with the research of Marfuah and Cahyono (2011).

According to Othman et al. (2009), there are differences in operating and disclosure practices among various industries. It reflects the unique characteristics of each industry, so that enterprises have different social disclosure standards. Nevertheless, the same status as the companies listed in the List of Islamic Securities provide equal responsibility for all companies to always disclose ISR as a form of accountability to the public.

4. Ownership of Islamic Securities toward Islamic Social Reporting Disclosures

Islamic securities has a regression coefficient of 0.122 with a significance of 0.867 > 0.05, thus, this variable does not significantly affect Disclosures Islamic Social Reporting. Then H 4 rejected. Based on the descriptive statistic data, most companies (100 companies from 227 companies) just have one Islamic security. It means that companies rely on the issuance one type of Islamic securities in financing their operation and Investor just has few options to choose the Islamic investment.

It can be positive that Sharia compliant companies in disclosing ISR do not depend on the number of Islamic securities they have, but due to their accountability to stakeholders. However, the development of Islamic securities in Indonesia must be supported by all parties so that Muslim investors have more choices to invest their money in companies that accordance with sharia principles. This can confirm them to be identified as sharia Islamic companies.

## 5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

Based on the test results of the analysis above, the conclusion that can be drawn as follows: the size of the company has a positive and significant effect on the disclosure of Islamic Social Reporting (ISR) while profitability, industry type, and the ownership of Islamic securities have no significant effect on the level of disclosure of Islamic Social Reporting (ISR) for the companies listed in the List of Islamic Securities (DES) in 2013. In general, although many variables statistically do not affect the ISR disclosure of company registered in Sharia Securities List, it is a good signal that these companies do not depend on many factors to disclose ISR. Obligation to perform accountability and give adequate information for stakeholders are the reason why they disclose it as based on Islamic principles. Therefore, it is due to their own awareness towards their companies and obligation.

This study has limitations in term of: (1) sources of data that were only taken from annual report of companies, (2) the observation period was only one year, and (3) only using four variables, so the generalization cannot be wider as expected. For further research, it is expected that researchers can (1) look for more data sources not only financial statements, (2) extend the time period to see the development of ISR disclosure every year and (3) may add a number of variables, so that generalization could be a much wider sense, such as the variables of corporate governance and external factor such as inflation and exchange rate.

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