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The effect of corporate governance, leverage, and liquidity on Islamic Social Reporting (ISR) disclosure in Islamic commercial banks in Indonesia

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ABSTRACT

Islamic Social Reporting is the standard index of performance reporting in sharia-based companies. This index was established on the basis of reporting standards as on AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions). The objective of this research is to find out the effect of Corporate Governance, leverage, and liquidity on Islamic Social Reporting (ISR) disclosure. This study used independent variables consisting of the Board of Commissioners, The Board of Directors, the Audit Committee, Sharia Supervisory Board, leverage, and liquidity, and the dependent variable consisting of ISR disclosure. The sample was taken using census sampling technique. The number of sample used is 12 Islamic commercial banks in Indonesia in 2012-2016. The data were analyzed using descriptive analysis, classical assumption test, and multiple linear regression analysis with SPSS 23 for windows. The results show that the Board of Commissioners and liquidity have an effect on ISR disclosure, while the Board of Directors, the Audit Committee, Sharia Supervisory Board, and leverage have no effect on it.

ABSTRAK

Islamic Social Reporting adalah indeks standar pelaporan kinerja di perusahaan berbasis syariah. Indeks ini lahir berdasarkan standar pelaporan yang didasarkan pada AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions). Tujuan penelitian ini adalah untuk mengetahui pengaruh Corporate Governance, leverage, dan likuiditas terhadap pengungkapan Islamic Social Reporting (ISR). Penelitian ini menggunakan variabel independen terdiri dari Dewan Komisaris, Direksi, Komite Audit, Dewan Pengawas Syariah, leverage, dan likuiditas, dengan variabel dependennya terdiri dari pengungkapan ISR. Saampelnya diambil dengan menggunakan teknik sensus sampling. Jumlah sampel yang digunakan adalah 12 bank umum syariah di Indonesia pada tahun 2012-2016. Data tersebut dianalisis menggunakan analisis deskriptif, uji asumsi klasik, dan analisis regresi linier berganda menggunakan SPSS 23 for windows. Hasil penelitian ini menunjukkan bahwa Dewan Komisaris dan likuiditas berpengaruh terhadap pengungkapan ISR, sedangkan Dewan Direksi, Komite Audit, Bedan Pengawas Syariah, dan leverage tidak berpengaruh terhadap pengungkapan ISR.

1. INTRODUCTION

Basically, Islamic banking companies in Indonesia carry out social reporting due to a change in the paradigm of accountability from management to shareholders into management to stakeholders. In addition, social reporting is conducted to maintain the company's image in the community. Islamic banking gets a specific attention in terms of social responsibility reporting due to the basic operational principles of the Islamic banking which state that it is not only profit oriented but also *falah* oriented. According to the Republic of Indonesia Law No. 21 of 2008 article 4, Islamic Banks and UUS can carry out social functions in the form of *Baitul Mal* institutions that is, receiving funds from *zakat, infaq*, charity, grants or other social funds and channeling them to *zakat*

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management organizations.

Social responsibility is a form of the company's and community's involvement in achieving the business objectives. Company organizations are required to contribute to changes in the environment and contribute directly to the survival of the community. This is in order that they are able to describe the social responsibility of Islamic Commercial Banks. Islamic Social Reporting is the process of communicating the social and environmental impacts of an organization's economic activities on specific groups and the community as a whole.

In general, corporate social responsibility can be defined as the responsibility carried out by the company to stakeholders to be ethical and fulfill all economic, social and environmental aspects well for sustainable development (Fitria and Hartanti, 2010). The concept of corporate social responsibility in Islam relates to companies or business entities that carry out business activities in accordance with sharia concepts and and are expected to able to carry out Islamic corporate social responsibility. There are two factors that must be expressed in Islamic perspective: full disclosure and social accountability. In line with the increase in the implementation of CSR in the Islamic context, there is also a growing desire to make Islamic social reporting, especially social disclosures in sharia-based companies or institutions. Islamic Social Reporting (ISR) is much discussed with the need for disclosure of social responsibility in Islamic banking and institutions. In this case, ISR disclosure is developed using the Islamic Social Reporting Index.

Disclosure of social funds in Islamic commercial banks is limited to *qardul hasan funds* or virtue funds, while ISR disclosure is still voluntary. In an Islamic perspective, transparency is a mandate that requires organizations to disclose, which is both as mandatory and voluntary, resulting in differences in the disclosure of responsibility for each Islamic banking company. The difference in disclosure is due to the absence of standard Islamic standards regarding disclosure of social responsibility activities (Asrori, 2015)

2. THEORETICAL FRAMEWORK AND HYPOTHESES

Corporate Governance

Corporate Governance, according to the forum for Corporate Governance in Indonesia (2001: 2), is a set of rules that regulate the relationship between stakeholders and shareholders within a company. It includes shareholders, company managers, creditors, governments, employees, and other internal and external stakeholders relating to their rights and obligations with the aim of creating added value for all interested parties. The Organization for Economic Cooperation and Development defines Corporate Governance as a relationship structure that is related to responsibilities among related parties consisting of shareholders, members of board of directors and commissioners including managers designed to encourage the creation of competitive performance needed to achieve the company's main goals. According to Bank Indonesia Circular Letter No.12/13/DPbs in 2010 concerning the implementation of Good Corporate Governance for Islamic Commercial Banks and Islamic Business Units, the elements of Corporate Governance contained in Islamic Commercial Banks include the Board of Commissioners, Board of Directors, Committees (Audit committee, Risk Monitoring Committee, and Remuneration and Nomination Committee), Sharia Supervisory Board and implementation of internal audit and external audit functions.

Islamic Social Reporting (ISR)

Islamic Social Reporting (ISR) is a performance reporting standard for sharia-based companies. This index refers to the AAOIFI-based reporting standards. In particular, this index is an extension of the social performance reporting standards which include the expectations of the community not only about the role of the company in the economy, but also the role of the company in a spiritual perspective. This index also emphasizes social justice related to the environment, minority rights, and employees (Fitria and Hartati, 2010). The ISR index is a benchmark for implementing Islamic banking social responsibility that contains a compilation of CSR standard items set by AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions) which are then further developed by researchers regarding CSR items that should be disclosed by Islamic entity (Othman et al, 2009). Compatibility of the ISR index for Islamic entities is due to the revealed matters relating to Islamic principles such as transactions that have been freed from elements of usury, speculation and *gharar*. It also discloses zakat, sharia compliance status and social aspects, such as *sodaqoh, waqof, qordul hasan*. In addition, it also reveals worship in the corporate environment (Asrori, 2015). The ISR index is then grouped into six disclosure indicators: (1) Investment and Finance, (2) Products and Services, (3) Labor, (4) Social, (5) Environment and (6) Organizational Governance

The Effect of the Board of Commissioners on Islamic Social Reporting (ISR) Disclosure

The Board of Commissioners is a board whose duty is to supervise the company and give advice to the Directors. The greater the Board of Commissioners, the better the supervision carried out, including the supervision of social principles in Islamic Commercial Banks. With a good supervision, it is expected that the Islamic Social Reporting (ISR) disclosure will also be higher. This can minimize information that might be hidden by management as a form of corporate mandate and responsibility that is in line with Sharia Enterprise Theory.

The existence of the Board of Commissioners structure will create high management and accountability that can create good relations with the community so that the social contract of the community can run well in accordance with the legitimacy theory. This is supported by research conducted by Baidok and Septiarini (2016), Khoirudin (2013) and Charles (2012) that the existence of the Board of Commissioners affects the ISR disclosure in Islamic Commercial Banks in Indonesia.

Hypothesis 1: The Board of Commissioners has an effect on the ISR disclosure

The Effect of the Board of Directors on Islamic Social Reporting (ISR) Disclosure

The Board of Directors have the authority and are fully responsible for managing the company in the interests in accordance with the company's goals and objectives. They are also the element of Corporate Governance that has an important role in increasing disclosure of Islamic Social Reporting.

The Board of Directors not only have an unlimited role in routine activities, but also authority and obligation to take the initiative to make plans and estimates regarding the future development of the company. So the composition of the Board of Directors should be appropriate in accordance with their duties and functions. The greater the number of the Board of Directors, the higher the Islamic Social Reporting disclosure.

Proper implementation of the duties and functions of the Board of Directors can result in the fulfillment of the mandate given in accordance with the principles of accountability contained in the Sharia Enterprise Theory. As such, the harmony of relations between the community and Sharia Commercial Banks can also be realized according to the legitimacy theory. This is supported by research conducted by Sunarto (2016) that there is a positive influence of the Board of Directors on the disclosure of Islamic Social Reporting in Islamic Commercial Banks in Indonesia.

Hypothesis 2: The Board of Directors has an effect on the ISR disclosure

The Effect of Audit Committee on Islamic Social Reporting (ISR) Disclosure

The Audit Committee is an entity, under the Board of Commissioners, that is independent in carrying out its duties and reporting and is directly responsible to the Board of Commissioners in evaluating audit reports and Good Corporate Governance reports. It is expected that the greater the number of members of the Audit Committee, the higher the Islamic Social Reporting disclosure because the role of the Audit Committee must be able to provide an overview of the results of the company's audit in terms of its operations by taking into account the aspects of sharia in it. In line with Sariah Enterprise Theory and legitimacy theory, the existence of a good Audit Committee structure will realize high reporting and evaluation so that it can be used as a form of accountability both to Allah SWT and the community environment. This is supported by research conducted by Asyhari (2016) and Charles (2012) that the Audit Committee influences the disclosure of ISR in Islamic Commercial Banks in Indonesia.

Hypothesis 3: Audit Committee has an effect on the ISR disclosure.

The Effect of Sharia Supervisory Board on Islamic Social Reporting ((ISR) Disclosure

The Sharia Supervisory Board is the organ that has the authority to provide suggestion and advice to the directors and supervise the activities of the bank in accordance with Islamic principles. Proper implementation of all duties and responsibilities of the Sharia Supervisory Board will realize a high level of accountability for disclosure so that it becomes a form of implementation of the mandate to Allah SWT and interested parties as the internalization of company activities in accordance with Islamic principles.

The above is related to Sharia Enterprise Theory and as the creation of good relations with the community because the disclosure is as a form of legitimacy of the community. This result is supported by research conducted by Baidok and Septiarini (2016), Arshad, et al (2014) and Hidayati (2014) that the Sharia Supervisory Board has a positive effect on Islamic Social Reporting disclosure in Islamic banks in Indonesia.

Hypothesis 4: Sharia Supervisory Board has an effect on the ISR disclosure

The Effect of Leverage on Islamic Social Reporting (ISR) Disclosure

Leverage is the debt used by the company to finance its assets in order to carry out its operational activities. In other words, leverage is the extent to which a company's assets are financed by debt or an outside party. Harahap (2015: 301) explains that leverage ratio is a ratio used to measure the extent to which a company's assets are financed by debt. The greater the level of leverage, the higher the responsibility of the company to provide a report on social responsibility disclosure, because on the Islamic principle, all forms of relations, both internal and external parties, must be accounted for by the company.

All forms of responsibility must be reported much less if it has been in contact with outside parties because this also one form of implementation of the mandate and control of the company in carrying out its organization in accordance with Islamic principles contained in Sharia Enterprise Theory. This is supported by research conducted by Asyhari (2016) that leverage has a positive effect on Islamic Social Reporting disclosure in Islamic Commercial Banks in Indonesia.

Hypothesis 5: Leverage has an effect on the ISR disclosure

The Effect of Liquidity on Islamic Social Reporting (ISR) Disclosure

According to Harahap (2015: 301), liquidity is the company's ability to complete its short-term liabilities. Companies with high liquidity will signal other companies that they are more credible than other companies. Therefore, they tend to provide wider disclosure of information for outside parties. The signal is carried out by providing more extensive information about social and environmental responsibilities.

The Islamic principles in Sharia Enterprise Theory require that all treatment must be accountable for its existence. The higher the level of liquidity of the company, the higher the ability to disclose the ISR. This is supported by research conducted by Asyhari (2016) that liquidity has a significant effect on Islamic Social Reporting disclosure in Islamic Commercial Banks in Indonesia.

Hypothesis 6: Liquidity has an effect on the ISR disclosure

The framework underlying this research can be described as in Figure 1.

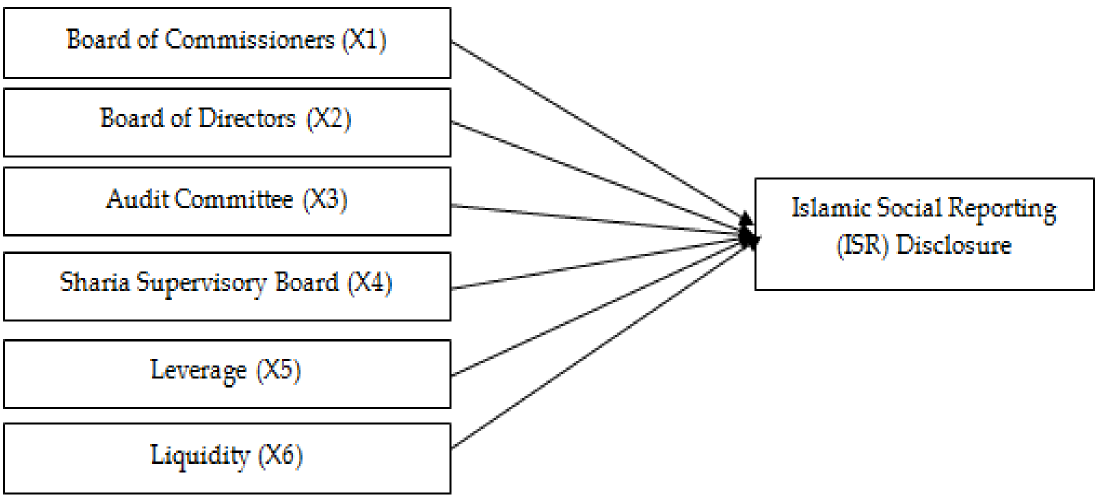

Figure 1
Framework

3. RESEARCH METHOD

Sample Classification

The study used a population consisting of Islamic commercial banks in Indonesia. The sample is Islamic commercial banks in Indonesia with the research period of 2012-2016. They were taken by using a census method (saturated sampling), a sampling technique in which all members of the population are used as samples (Sugiyono, 2013: 96). Of the 12 Islamic commercial banks registered at Bank Indonesia, 2 Islamic Commercial Banks that did not publish annual reports, that is, BTPN Sharia in 2012 and 2013. The total sample of data studied is 58 data from Islamic Commercial Banks period 2012-2016.

Research Data

This study took the sample of Islamic commercial banks registered at Bank Indonesia of the period 2012-2016. This study is a quantitative study, testing the theory through variables that have been determined by using research data measurement and data analysis with statistical procedures. They were collected by means of a documentation method. The documentation method is a technique of collecting data obtained from printed or electronic media. In this study, the data are in the form of financial statements published on the official website of each Islamic Commercial Bank registered at Bank Indonesia.

Research Variable

The study used a dependent variable of Islamic Social Reporting disclosure and independent variables of Board of Commissioners, Board of Directors, Audit Committee, Sariah Supervisory Board, Leverage and Liquidity.

Operational Definition of Variables

The Board of Commissioners

Based on Bank Indonesia Regulation No. 11/33/PBI/2009 dated December 7, 2009, the Board of Commissioners is a board that has the duty to guarantee the implementation of the company's strategy, supervise company management in managing the company, and supervise accountability.

Board of Commissioners = Number of Members of the Board of Commissioners

The Board of Directors

The Board of Directors is the organ of the company that is authorized and fully responsible for managing the company in the interests of the company in accordance with the company's goals and objectives. They also represent the company, both inside and outside the court in accordance with the provisions of the articles of association.

Board of Directors = Number of Members of the Board of Directors

The Audit Committee

The Audit Committee is the number of members of the Audit Committee in a company measured by calculating the number of members of the company's Audit Committee mentioned in the company's GCG report.

Audit Committee = Number of Members of Audit Committee

Sharia Supervisory Board

Based on the Bank Indonesia Regulation No.11 /33/PBI /2009 dated December 7, 2009, the Sharia Supervisory Board is the body tasked with overseeing the implementation of the decisions of the National Sharia Board in a Islamic financial institution.

Sharia Supervisory Board = Number of Members of Sharia Supervisory Board

Leverage

Leverage is the extent to which a company's assets are financed by debt or an outside party that can show an indication of the level of security of the lenders. Leverage can be measured using the Debt to Asset Ratio (DAR) to calculate the ratio between total liabilities and total assets.

$$\text{Debt to Asset Ratio} = \frac{\text{Total Liabilities}}{\text{Total Assets}}$$

Liquidity

Liquidity can be measured by calculating the ratio between current assets divided and current debt, or commonly referred to as current ratio. According to Harahap (2015: 301), the ratio shows the extent to which current assets can cover current liabilities.

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current Liabilities}}$$

Analysis Tool

In this study, multiple regression analysis is used to test the effect of the Board of Commissioners (BC), Board of Directors (BD), Audit Committee (AC), and Sharia Supervisory Board (SSB), leverage (DAR) and liquidity (CR) on Islamic Social Reporting (ISR) of Islamic

Commercial Banks period 2012 -2016.
The regression equation used is as follows:

$$ISR = \alpha + \beta 1BC + \beta 2BD + \beta 3AC + \beta 4SSB + \beta 5DAR + \beta 6CR + \varepsilon$$

Note:
ISR = Islamic Social Reporting
α = constant
$\beta 1$ - $\beta 5$ = Coefficient of each variable
BC = Board of Commissioners
BD = Board of Directors
AC = Audit Committee
SSB = Sharia Supervisory Board
DAR = Debt to Asset Ratio (Leverage)
CR = Current Ratio (Liquidity)
ε = Error Term

4. RESEARCH RESULTS AND DISCUSSION

Descriptive Test

Descriptive analysis is used to provide an overview of the variables used in this study, such as Islamic Social Reporting (ISR), Board of Commissioners (BC), Board of Directors (BD), Audit Committee (AC), Sharia Supervisory Board (SSB), leverage (DAR) and liquidity (CR).

Based on Table 1, the minimum value of ISR disclosure is 0.420 owned by PT Bank Maybank Syariah (BMYS) in 2012. The maximum value is 0.814 owned by PT Bank Syariah Mandiri (BSM) in 2015. From the data in Table 1, it can be seen that the mean value of ISR is greater than the standard deviation, indicating that the level of data variation is low. Therefore, it can be said that the data are homogeneous or not diverse.

The minimum value of the Board of Commissioners is 2 people owned by PT Bank Maybank Syariah (BMYS) in 2012. The Board of Commissioners includes two independent commissioners. The maximum value of the Board of Commissioners is 6, owned by PT Bank Muamalat (BM) in 2012 - 2013. The Board of Commissioners of PT Bank Muamalat (BM) includes one main commissioner, two commissioners and three independent commissioners.

The minimum value of the Board of Directors is 3, where the minimum value indicates that in 2012 there were four banks that had three members of Board of Directors: PT Bank Victoria Syraiah (BVS), PT BNI Syariah (BNIS), PT Bank Cental Asia Syariah (BCAS), and PT Bank Maybank Syariah (BMYS). The maximum value of the Board of Directors is 6, owned by PT Bank Syariah Mandiri (BSM) in 2012 - 2016 and PT Bank Muamalat (BM) in 2016.

The minimum value of the Audit Committee is 2, owned by PT Bank Bukopin Syariah (BBS) in 2012 - 2014. The highest value of the Audit Committee is 6, owned by PT Bank Syariah Mandiri (BSM) in 2014 - 2016. The mean value of the Audit Committee is greater than the standard deviation, indicating that the level of data variation is low or homogeneous.

The minimum value of the Sharia Supervisory Board is 2, owned by PT Bank Central Asia Syariah (BCAS), PT BNI Syariah (BNIS), PT Bank Bukopin Syariah (BBS), PT Bank Panin Syariah (BPS), PT BRI Syariah, PT Bank Victoria Syraiah (BVS) and PT Bank Maybank Syariah (BMYS) in 2012 - 2016. The maximum value of Sharia Supervisory Board is 3, owned by PT Bank Syariah Mandiri (BSM), PT Bank Mega Syariah and PT Bank Muamalat (BM) in 2012 - 2016.

The Minimum value of leverage is 0.058, owned by PT Bank Victoria Syariah in 2014. This indicates that PT Bank Victoria Syariah in 2014 had a low debt ratio using relatively smaller third party funding to meet the company's operational needs. The maximum value is 0.675, owned by PT Bank Victoria

Table 1
Descriptive Analysis Results

Variable	N	Minimum	Maximum	Mean	Std. Deviation
ISR	58	0.420	0.814	0.61396	0.108801
DK	58	2	6	3.74	1.001
DD	58	3	6	4.21	0.913
KA	58	2	6	3.74	1.036
DPS	58	2	3	2.34	0.479
DAR	58	0.058	0.675	0.17643	0.088160
CR	58	3.892	16.784	7.18749	2.655276

Source: Processed Data

Syariah in 2012.

The minimum value of liquidity is 3.892, owned by PT BRI Syariah (BRIS) in 2014. The maximum value of liquidity is 16.784, owned by PT Bank Victoria Syariah (BVS) in 2014. This shows that in 2014 PT Bank Victoria Syariah (BVS) had a good level of liquidity compared to other Sharia commercial banks used as research samples.

RESULTS AND DISCUSSION

The Effect of the Board of Commissioners on Islamic Social Reporting (ISR) Disclosure

Based on the analysis, the regression coefficient of the Board of Commissioners (BC) is 0.063, meaning that each increase in one unit of BC will increase the regression coefficient of ISR by 0.063, assuming that the independent variables other than BC are considered constant. This is in line with previous research and the supporting theories which state that the higher the Board of Commissioners in Islamic Commercial Banks, the higher the ISR disclosure. Given the authority and responsibility held by the Board of Commissioners can pressure management to disclose all forms of corporate reporting including disclosure of Islamic Social Reporting contained within the company.

The results of t-statistical test show a significance value of 0.000 < 0.05. So, it can be concluded that the first hypothesis (H1) is accepted, which means that the Board of Commissioners has an effect on the disclosure of Islamic Social Reporting. This can be due to the optimal duties and authority of the Board of Commissioners, especially in the task of supervising all forms of company activities and can oversee all disclosures made by Islamic Commercial Banks.

The research results are also related to the legitimacy theory which states that the Board of Commissioners has an important role because it has the duty to oversee the company and deliver all information to stakeholders including information on social responsibility disclosure. So the disclosure can create the harmony between the company and the community. The results of this study are supported by research conducted by Baidok and Septiarini (2016) and Khoirudin (2013) that the Board of Commissioners has a significant positive effect on Islamic Social Reporting (ISR) disclosure.

The Effect of the Board of Directors on Islamic Social Reporting (ISR) Disclosure

Based on the analysis that has been done, the regression coefficient of the Board of Directors (BD) is -0.029, which means that each increase in one unit of BD will reduce the regression coefficient of ISR by 0.029, assuming that the independent variables other than BD are considered constant. This is contrary to previous research and the existing theory, which states that the greater the Board of Directors, the higher the ISR disclosure because the Board of Directors have duties and responsibilities that are important in increasing the value of the company.

The results of t-statistical test show a significance value of 0.128 > 0.05. So, the second hypothesis (H2) is rejected, which means the Board of Directors has no effect on the disclosure of ISR. The number of members of the Board of Directors does not encourage Islamic Commercial Banks to disclose high Islamic Social Reporting. This can occur because the implementation of the management of the company has not been fully based on comprehensive Islamic principles so that the disclosure of Islamic Social Reporting is not optimal.

The Board of Directors not only has an unlimited role in routine activities but also has authority and obligation to take the initiative to make plans and estimates regarding the company's development for the future. So, the number of the members of the Board of Directors needs to be adjusted to their duties and functions. The results of this study are in line with the research conducted by Charles (2012) that the Board of Directors has no effect on the disclosure of Islamic Social Reporting.

The Effect of Audit Committee on Islamic Social Reporting (ISR) Disclosure

Based on the analysis, the regression coefficient of the Audit Committee (AC) is 0.026, which means that each increase in one unit of AC will increase the regression coefficient of ISR disclosure by 0.026, assuming that the independent variables other than AC are considered constant. This is in line with previous research and supporting theory which states that the higher the Audit Committee in Islamic Commercial Banks, the higher the ISR disclosure.

The results of t-statistical test show a significance value of 0.064 > 0.05. So, the third hypothesis (H3) is rejected, which means that the Audit Committee has no effect on the disclosure of ISR. One of the factors that make the Audit Committee have no effect on the disclosure of ISR is that the concept of supervision of financial practices carried out in sharia financial institutions has not been fully implemented in accordance with the sharia foundation. This has an effect on the need for human resource development that can focus on AAOFI-based audit standards. The results of this study are in line with the research conducted by Sunarto (2016) that the Audit Committee has no effect on the disclosure of Islamic Social Reporting.

The Effect of Sharia Supervisory Board on Islamic Social Reporting (ISR) Disclosure

Based on the analysis, the regression coefficient of the Sharia Supervisory Board (SSB) is 0.016, which means that each increase in one unit of SSB will increase the regression coefficient of ISR by 0.016, assuming that the independent variables other than SSB are considered constant. This is in line with previous research and the supporting theories which state that the higher the Sharia Supervisory Board in Sharia Commercial Banks, the higher the ISR disclosure.

The results of t-statistical test show a significance value of 0.586 > 0.05. So, the fourth hypothesis (H4) is rejected, which means that the Sharia Supervisory Board does not affect the disclosure of Islamic Social Reporting. This is due to the fact that the Sharia Supervisory Board is still focused on its duties and responsibilities in sharia banking operations. The Sharia Supervisory Board on average conducts disclosures regarding the approval of new products, the status of halal products and supervision of whether the contracts have been carried out in accordance with sharia principles or not, while other aspects of sharia such as opinions on the implementation of zakat and virtue funds have not been disclosed in the annual report. The results of this study are in line with the research conducted by Asyhari (2016), Sunarto (2016), Rita, et al (2015) and Khoirudin (2013) that the Sharia Supervisory Board does not influence the disclosure of Islamic Social Reporting.

The Effect of Leverage on Islamic Social Reporting (ISR) Disclosure

The regression coefficient of leverage (DAR) is -0.251, which means that each increase in one init of DAR will reduce the regression coefficient of ISR by 0.251, assuming that the independent variables other than DAR are considered constant. This is contrary to previous research and existing theories, in which according to Asyhari (2016), Sharia Commercial Banks that have a high level of leverage need to provide all forms of disclosure including social responsibility disclosure reports so that there is good news or the news about company performance.

The results of t-statistical test show a significance value of 0.156 > 0.05. So, the fifth hypothesis (H5) is rejected, which means that leverage does not affect the disclosure of Islamic Social Reporting. Thus the high leverage does not encourage Islamic commercial banks to carry out high disclosure of ISR. This is due to the ability of creditors to obtain information and disclosures from the Islamic Commercial Banks other than the company's annual report. Creditors can obtain information through question and answer directly to companies such as requesting management's explanation of financial information and discussion of significant financial information. This has caused creditors not to demand the complete disclosure of ISR. Therefore, the high and low level of leverage does not affect the disclosure of Islamic Social Reporting. The results of this study are in line with the research conducted by Lestari (2016), Rita, et al (2015), Hidayati (2014), Putra, et al (2014) and Rama (2014)

The Effect of Liquidity on Islamic Social Reporting (ISR) Disclosure

The regression coefficient of liquidity (CR) is -0.012, which means that each increase in one unit of CR will reduce the regression coefficient of ISR by 0.012, assuming that the independent variables other than CR are considered constant. This is contrary to previous research and the existing theory, in which according to Asyhari (2016), the higher the level of liquidity ratio, the wider the disclosure of Islamic Social Reporting in Islamic Commercial Banks.

The results of t-statistical test show a significance value of 0.043 < 0.05. So, the sixth hypothesis (H6) is accepted, which means that liquidity influences the disclosure of Islamic Social Reporting. This is in line with signal theory which explains that companies have the impetus to provide all forms of financial statement information and social responsibility reports to external parties and have a function in emphasizing important information that is useful for investors in setting decisions for outside parties.

The social disclosures carried out will provide a positive signal to outsiders about the credibility and the level of fulfillment of high mandate in Islamic commercial banks. A high level of liquidity influences the disclosure of Islamic Social Reporting. Companies with high liquidity will signal other companies that they are more credible than other companies so they tend to make wider disclosure of information to outside parties. In line with the Sharia Enterprise Theory, Islamic sharia principles in Sharia Enterprise Theory require that all treatment must be accounted for. The higher the level of liquidity of the company, the higher the ability to disclose Islamic Social Reporting. The results of this study are supported by research conducted by Asyhari (2016) that liquidity has an effect on the disclosure of Islamic Social Reporting in Islamic Commercial Banks in Indonesia.

5. CONCLUSION, LIMITATION, AND SUGGESTION

It can be concluded that the first hypothesis (H1) and the sixth hypothesis (H6) are accepted, which means that the Board of Commissioners and liquidity have an effect on Islamic Social Reporting (ISR) with a significance level of five percent (0.05), while the other four hypotheses, such as the Board of Directors (H2), Audit Committee (H3), Sharia Supervisory Board (H4), and leverage (H5), are rejected, which means that they have no effect on Islamic Social Reporting (ISR) disclosure.

The limitations of this study include: (1) the results of adjusted R^2 test only show numbers that are still relatively low at 34.6%, indicating that there are still 65.4% of other variables that can affect ISR disclosure; (2) the sample is still within the scope of Sharia commercial banks in Islamic Financial Institutions which can also use the ISR index; (3) ISR disclosure index uses only one reference source so that disclosures made are not maximal.

Based on the test results and limitations of the study, the suggestions that can be put forward are as follows: (1) further research is expected to add new variables so that the influence of other variables outside the model can be disclosed and can further strengthen research results such as bank size, sharia compliance and managerial ownership; (2) further research is expected to consider samples other than Islamic commercial banks, such as the Jakarta Islamic index, because the disclosure of ISR is not only within the scope of Sharia banking but also other sharia financial institutions; (3) and the further research is expected to use the ISR index other than Khusnul and Prabowo (2013), with the aim of obtaining maximum research results.

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